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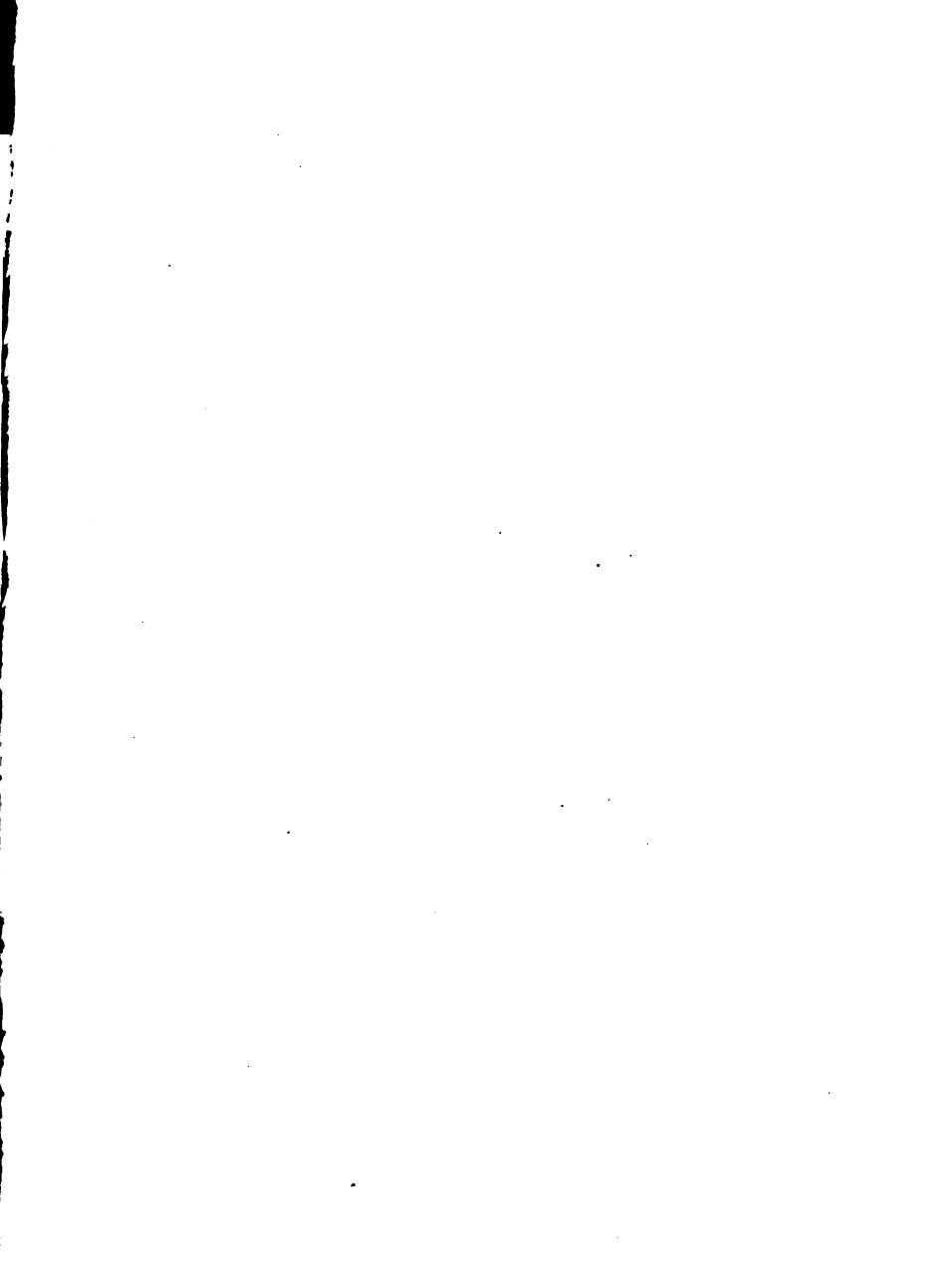
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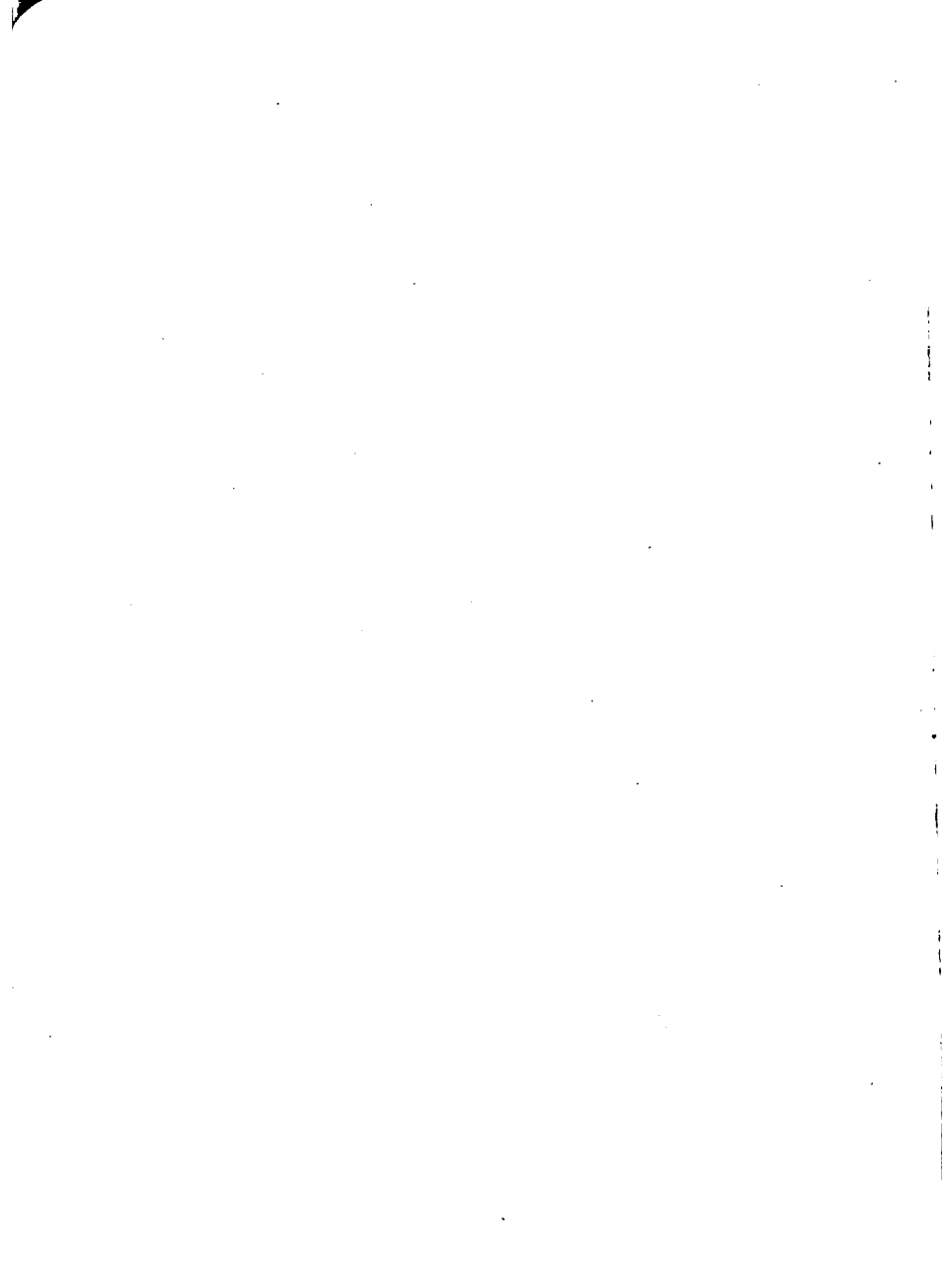
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# The Pack-Asses of Privilege

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BY  
PHILIP W. FRANCIS

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Published by the Author

1911

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*Call of nature*

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Knowing this, that never yet  
Share of Truth was vainly set  
In the world's wide fallow;  
After hands shall sow the seed,  
After hands from hill and mead  
Reap the harvests yellow.

—*Whittier.*



**TO THE DEAR CHUM**

Whose invincible cheerfulness, loyalty, helpfulness and faith have made this work possible, this book is affectionately dedicated by her husband.

## Introduction



It is doubtless true that the contrasts of society to-day are neither so bold nor so distressing as the contrasts of society in other times. Nowhere in the United States, certainly, is there such ignorance or such poverty as we know to have been common to the working masses during the many centuries that elapsed from the fall of the Roman civilization to the destruction of feudalism by the beneficent invention of gunpowder. That the conditions of human life, in the mass, have steadily grown easier and happier, and with constantly accelerated rapidity during the last hundred years or so, is, I think, undeniable. That this happy progress has been, and will continue to be, the work of evolutionary, and not of revolutionary forces is, I think, also undeniable. If I read history aright, evolution is no less the fixed law of social progress than of physical progress. The common good steadily moves forward to the common better, impelled by a multitude of interacting forces. We cannot ever all at once obtain the common best by suddenly turning social conditions upside-down. The law of substantial betterment is the law of growth, of ripening, of infinite small graftings on the elder trunk. Seed-time and harvest will not be coerced to fall on a day. He that would reap must sow and bide in patience

for the crop. First the blade, then the ear, and then the full corn in the ear—that is the law of the physical universe, by operation of which we have ascended from mere protoplasmic beginnings to our high, intellectual estate, and that is the law of the social and economic world, without doubt.

This is the true optimism, that sees the good which is, and strives with might and main to better that good, as well as the bad which also is. A cheerful acquiescence in all that society is and does—in all its traditions, laws, customs and habits—is as stupid and harmful as the unreasonable discontent which can see no good nor any happiness in the world. The ultra-conservative and the ultra-radical are both fools after their degree.

Yet while the conditions of society have improved and do improve; while the rich distribute their riches as never did rich men before; while on every hand libraries and schools and hospitals abound for the use of all; while hundreds of men daily put the lure of ease and gain behind them and toil for humanity's sake in the fields of medicine, sanitation and scientific research of every kind; while the workman lies softer and feeds more delicately than did kings and nobles three hundred years ago; and while many millions of men and women and children in this land of ours are comfortable and happy, it needs no argument to prove that comfort and happiness are not shared as equitably as they should be. The total wealth produced yearly by the people of the United States is a gigantic mass. We have run far ahead of other nations in the race for wealth, nor does our speed slacken. The imperative problem to which we must

address our attention is the more equitable distribution of wealth thus created among the creators. Every useful effort toward the solution of this problem is a distinct addition to the sum of human happiness. It is in the lively hope of solving one part—and that by no means the least part—of this complex problem that I put forth this book. That this book contains a great economic truth, which has singularly enough been overlooked, I feel sure. That this truth will win its way and sometime and somehow work greatly for the comfort and happiness of my countrymen, I do firmly believe.

It is my part to sow the seed of this new doctrine. What the reaping will be, I cannot tell. The future is always on the knees of the gods. Yet, looking ahead to times to come, hope sees wide fields, yellow with full harvests, and the reapers bringing in their sheaves with rejoicing.



## The Unrecognized Law



MAN is naturally a gregarious animal, and civilized man, with his instinctive desire for the company of his fellows strengthened by ages of custom, always seeks association. The necessity of mutual defense against numerous enemies would alone, probably, account for the foundation of cities and towns, if there were no other cause. And the gregarious instinct would have resulted in the founding of municipalities, had there been no necessity of defense. But the sites of considerable towns and cities, from the most remote times, were selected by force of the one circumstance that controls the fortunes of communities always—the circumstance of cheaper transportation of goods. It matters not whether the price of transportation was paid in labor, or in barter of goods, or in money-tokens; whether the task was hauling wine and oil and sesame and millet to Nineveh or Babylon by boat, pack-ass or man-power, or whether it was hauling the ore of the Mesaba Range to the furnaces of Pittsburg—the one certain determining factor in the foundation and the growth or decay of all communities, great or small, has always been and is now the factor of ease or difficulty—cheapness or dearness—of transporting goods. Wherever cities have been built at strategic points commanding cheap access to considerable portions of the globe, neither siege nor sack nor the fall of empires nor the attacks of Time have been able to shake them from their

seats of opulence and power. On the other hand, let but little easier and cheaper routes of trade be opened by a rival community and neither public spirit, nor tradition and custom, nor the spending of toil and treasure, can avert the sure decay of growth and power within the walls of the once vigorous mart. Doubtless there are other factors of growth and decay, but the cost of transportation is the one sole, dominant, never-absent, decisive umpire of communal life or death. Bearing in mind man's racial necessity of living a communal life, and the absolute dependence of the prosperity of each community upon transportation cost, we will soon perceive clearly that every conceivable condition of society, every effort of man's powers—nay, the very fibers and atoms, even, of his physical and intellectual being—are profoundly affected by this controlling factor of civilized society. It is the sap in the tree, the blood in the body. No empire, nor Charlemagne's nor Napoleon's, is ever great enough to disobey its decrees. No huddle of savages in an African kraal is insignificant enough to escape its vigilance. By its commanding hand are writ the destinies of kingdoms and of men, the fortunes of a captain-general of commerce, supplying a hemisphere with oil and copper and steel, and the fortunes of the peanut-vender counting his handful of pennies at the corner of the street. It is the Genius of Human Society.

This generation has seen a wonderful change in the methods of wealth production—a revolution in all the traditions and habits of trade and commerce. The prophet, priest and conquering king of this revolution is yet living. How much the progress of the race owes to the powerful intel-

lect and enormous activities of John D. Rockefeller, no man can say. But the debt is huge. Whether he was actuated by selfish motives or by public spirit, whether the means he chose were always good or often bad, whether his profits have been too great and his possessions too enormous—these things are nothing here to the point. What he has achieved, regardless of his motives or means, is the establishment, in great part, of the business of producing wealth with the greatest possible economy of effort. He is the Apostle of Organization. He has taught men to combine their forces. It is useless to shut our eyes to accomplished facts. And we may as well expect to see the world return to the days of stage coaches and weekly mails as to see it return to the commercial methods of fifty years ago. It is significant of the practical character of Rockefeller's genius that he early perceived and never lost sight of the dominant, all-powerful influence of transportation cost. On that foundation-stone rests his huge personal fortune, which is a transient thing to be blown away with the storms of two or three generations, and also rests his enormously useful work of reorganizing the methods of wealth production—the utility of which, enforcing imitation by the example of his stupendous personal success, will continue to promote the comfort and happiness of millions of men when the brooding brain and the executing hand of this remarkable man have been dust in the winds of centuries.

Now, while it is certain that the civilized world has in the last half-century improved its methods of wealth-production to a degree greater than all the improvements achieved



by the wit of men during five thousand years of history, it is equally certain that mankind is using in the work of wealth distribution the same methods that generations dead employed. And as the mass of wealth produced by civilized man is enormously greater than it once was, so the inequalities and injustices of the methods of distribution are more clearly apparent. A private fortune of five hundred millions provides an illumination against which the silhouettes of ragged and hungry and suffering men and women and children loom large, with added blackness of comparison. Out of this contrast grows a natural, though seldom rational, discontent and anger. Men see the wrong and cast about for the means wherewith to right it. Hence the Anarchist, with his theory of no law save the individual will, and of no wealth in hand save that which the individual can hold by the consent of all the stronger. Hence the Socialist, with his theory of a millennium of machines, alike of iron and steel and flesh and blood. Hence the muck-raker, seeing no farther than the end of his nose, and often justly indignant with what he there sees; doing some good, at times, but in the essentials of his methods and results imitating the physician who should treat with salves and lotions the eruptions of smallpox and neglect altogether to prescribe for the pestilence in the blood. And hence, too, a constantly increased mass of proposed and actual legislation, the pitiable inefficiency of most of which is evidenced by the fact that with every passing season there is clamor for new laws to check the evils growing out of those in force. It is very evident that there is an underlying general law of economics whose energies we have not har-

nessed to the service of the common good, and which is so powerful that it sets aside all the efforts making for justice in wealth distribution.

This powerful and resistless law is the law of the cost of transportation, which decrees that inequalities in that cost shall be reflected, with increasing force, in every other transaction of society; which decrees that the inequality of a penny advantage in the cost of moving ten pounds of freight shall result in the inequality of one acre of land selling for a million dollars and another selling for ten dollars; which decrees that every inequality in transportation cost shall be faithfully enlarged in an inequality of the grand division of produced wealth between producing Capital and Labor, on the one hand, and non-producing but toll-gathering Privilege on the other hand; and which further decrees that every advantage of inequality in transportation cost shall go to the gain of Privilege and every disadvantage shall be to the loss of Capital and Labor engaged in production. When this truth is once firmly in hand, the problem of fair and economical distribution of wealth is easy of solution.

Granted the premises, and there remains but this conclusion:

That if society does away with all *inequalities in the cost of transportation* of wealth-products, it will by this same act do away with the increasing ensuing *inequalities in land values* and the consequent everywhere increasing power of Privilege to exact more toll from the joint production of employed Capital and Labor.

Translated into other terms, this means the opening of

thousands of doors of opportunity now kept shut by speculative Privilege; the employment of all available Capital and all available Labor at higher wages for both, a huge increase in the production of wealth and a very general diffusion of this increase among the producers, a long era of profitable trade activities, low land values, low rents, high interest, high wages and wide prosperity. And while, as a corollary, many huge fortunes would be greatly reduced in bulk with the destruction of so much of the power of Privilege, on the other hand it is certain that most, and I believe all of the involuntary and undeserved Poverty which waits on Privilege would disappear. If fewer diamonds glittered in the palace, more coals, on the other hand, would glow in the tenement grates. While Mr. Astor's rent-roll might be cut in half, many thousands of workingmen in New York, as another result, would have more money left in their purses at the month's end.

It is useless to flinch from the logic of the problem. If the distribution of the total wealth production is now unfair, then some are getting too large and some too small a share. If the removal of inequalities in the cost of transporting wealth will bring about an approximately fair distribution of the total wealth produced, then those now getting too large shares will get less, and those getting too small shares will get more. The theory of economic distribution now presented has neither any vindictiveness towards the master of Privilege nor any sentimental feeling for the servant of Poverty. It stands for something higher than either anger or pity.

It stands for Justice.

## The Solution of the Problem



THE solution of the problem of fair distribution of wealth among the wealth producers which I have to offer is this:

*Compel all common carriers, by law, to transport to and from all railroad points and ports of call for vessels, within the boundaries of the United States, like goods and commodities, of like bulk and weight, for a like charge, irrespective of length of haul.*

That is to say, for example, that while the common carriers may charge more for transporting a ton of wheat than a ton of coal, they shall not charge either less or more for transporting a ton of wheat ten miles or a thousand miles, and so with every other class of goods and commodities. I shall call this the Law of the Common Rate and hereafter, in the course of this argument, for convenience's sake, simply the Common Rate.

This is a radical and innovating proposal which I make and involves changes in the economic order more momentous than any mere readjustment of freight tariffs. I shall endeavor to prove that with the Common Rate in operation land values would tend automatically to permanent equalization; that both the "unearned increment" and the new wealth daily created by the activities of Capital and Labor would be automatically distributed fairly among the wealth producers; that high speculative land values and high rents in cities would fall and that the earning capacities in small

towns and farming communities would be greatly increased; that the congestion and undue pressure of population at certain points would be done away with, checking the injuriously rapid growth of the great cities to the benefit of the whole country; that an immense number of agricultural, mining and manufacturing opportunities would be automatically thrown open for the profitable employment of Capital and Labor, thus increasing interest and wages at the expense of idle speculative capital and rent, and enormously adding to the national stock of usable wealth; and that a general lowering of the cost of living and a general increase of the profits of Capital and Labor actually engaged in producing wealth would take place all over the country, and that this seeming paradox would be automatically accomplished by the destruction of high speculative selling and rental values of land at favored points, by bringing the products of all Capital and Labor exerted on land into all markets on equal terms. This is an ambitious program. I trust I shall not fail in carrying it out.

Since this argument is addressed to the plain people, and not to the doctrinaires, I shall take no nice pains with the use of economic terms. The meat of the nut is the thing to be got at. How the shell is cracked is a matter of small moment. Yet for a proper understanding of the argument, it is necessary to state some of the definitions and axioms of Political Economy, and this I shall do as briefly and plainly as I can.

Labor is the exertion of men's powers, mental or physical.

Capital is saved wealth.

Wealth is any desirable thing produced by the exertion of Capital and Labor upon Land.

Land is the earth—its soil, minerals, waters, air, vegetation—all the raw material of the globe on which we live.

The share of the wealth produced that Capital gets is called Interest.

The share of the wealth produced that Labor gets is called Wages.

The share of the wealth produced which Capital and Labor must pay for the privilege of exerting themselves on Land is called Rent.

The source of all human comfort and happiness is wealth. Religion, literature, the sciences, the arts, the homely necessities of daily living, all are dependent upon the constant production of wealth, since without wealth there would not only be no human enjoyment, but not even human life. Every individual has wealth in some quantity. The paper upon which I write is wealth. So is the lead pencil I am using. If it be only a club with which to kill game or to beat his enemy, still the most destitute savage has wealth of a kind. Excessive accumulation of wealth by an individual may not add to his happiness and may multiply his sorrows. But where wealth is distributed in some sort among many individuals composing a society, then the more wealth that society possesses the more comfortable and happy will its members be. The more houses, furniture, factories, railroads, telegraphs, breadstuffs, meats, fruits, delicacies and wealth of such kind a community has, the better will its

members be sheltered, clothed and fed, and the healthier and happier they will be. The more bibles, hymn-books, church publications and church buildings and like wealth a community has, the happier will its religious folk be. The more libraries, books, magazines, newspapers, colleges, schools, theaters, paintings, sculptures, music and the like wealth a community has, the more happy will its intellectual folk be. Of course, in asserting wealth to be the source of all human happiness, I use the term in its economic sense. It is common to restrict the word to meaning only great riches; or, worse yet, much money. So is understanding darkened.

Now, it is only wealth in use that affords happiness. The consumption of wealth is not only a necessity of life, but it is also a performance vitally useful to the promotion of human happiness. We once had, and perhaps have still, a school of economists who attempted to serve mankind, after their lights, by teaching them how to live with less variety of food and with less of many other comforts and luxuries. It is hard to contemplate such stupidity with tolerance. The most desirable thing for any community of men is the desire for more comforts, more luxuries, more spending, more consumption and the power to gratify this desire by more profitable production. No man lives too comfortably, too luxuriously. The trouble is that too many do not and cannot live comfortably and luxuriously enough. Wealth consumption—not destruction—is as useful a performance as production. "There is he that scattereth and bringeth increase," says the Book. Idle wealth is unprofitable wealth. Nations should spend wisely to get wisely. Dynamic wealth, wealth

in motion, in use, in process of exchange and transformation—that is the source of comfort and of more wealth.

It follows that the fairest distribution to Capital and Labor of the wealth they create jointly will result in the most widely diffused consumption of wealth and the consequent most widely diffused happiness possible, among the greatest possible number of persons—and this, I take it, is the only true function and sole end of government and society.

It is practically certain that in a country where Capital and Labor are so balanced in power and intelligence as they are in the United States, where the organizing and executive abilities of a Rockefeller and a Carnegie are faced by the executive and organizing abilities of a Gompers and a Mitchell, and where the final appeal of great issues is not to sole Caesar but to many ballot boxes—in such a country, I say, it is practically certain that in the long run the gains of joint effort would be pretty fairly divided between producing Capital and Labor, if these two alone were concerned in the division. Before approaching the consideration of this, as well as of other present day problems, it is well to rid one's self of many of the conceptions of current economic doctrine, because these dry-as-dust theories are built upon imagined conditions of life that now do not exist, if, indeed, they ever had any existence outside the study-walls of the amiable gentlemen who formulated them. At any rate, the most careless observer knows that we live in a world totally different from that inhabited by our ancestors a hundred years ago. And yet one can hardly fail to be struck by the unvarying tendency of the text-book writers to plow the same old



ground, garner the same old straw, thresh out the same old chaff of terms and definitions. We are called upon to perpetually renew our acquaintance with the same five tailors who must make the same five coats for the same five sheep-raisers, and other gentlemen equally ancient and equally overworked. And as a result of this curious dwelling in an abstract world of primitive conditions, we find the Statics of Wealth discussed in ponderous volumes, and the really live, momentous questions of the Dynamics of Wealth—the laws of movement, distribution, consumption—dismissed with a vague paragraph or not touched at all, or else treated of in an academic manner that has no earthly interest for the plain man of the farm, the shop or the street. Hence, probably, the vast and wandering ignorance of our political newspapers and men. Hence, too, probably, that late exhibition of lofty intelligence evidenced by the Congress of the United States in undertaking to make two blades of grass grow where but one grew before by building a higher fence around the pasture lot. We shall now see how little able the chief economic doctrinaires have been to recognize the source of the power of Rent to levy increasing toll on the industry of Capital and Labor.

The theory enunciated by Anderson, made more widely known by Ricardo, and echoed by their disciples ever since, is that the amount of this toll which can be certainly taken is measured by the difference in the productivity of land. One would not be far wrong, taking the economists at their own word, in designating this as the Fertility Theory. Now, of course, in a very broad sense this theory is sound. But the

underlying, basic, unnoticed truth, which is hardly dignified by ten lines of mention in as many bulky volumes, is that the amount of this toll which can be taken from Capital and Labor is gauged by the differences in the cost of transportation to market. I am well aware that the text-book authorities recognize the cost of transportation as something to be eliminated before reckoning final productive capacity, but if there is one who at all recognizes the dominating, overwhelming power of this chief factor, as everywhere exemplified in these times of rapid freight transit, my reading has failed to acquaint me with his name or work.

The one sole thing which takes from Capital and Labor so large a portion of the wealth they create is Privilege—the ownership of portions of the earth's surface artificially made so necessary and valuable to Capital and Labor that they are willing to pay high rent for the use of them—such, for instance, as lands in New York or Chicago—and the artificial value which commands this toll from Capital and Labor *is primarily always produced by favorable transportation rates*. The first half of this truth has been iterated and reiterated until well-informed boys of grammar school age understand it. The second half seems not to have been recognized at all—and it is really the most important. It is this robbery of Labor and Capital, and not the robbery of either Capital or Labor, one by the other, that causes the grossly unfair distribution of the billions of wealth yearly created in the United States by the joint industry of Capital and Labor. This is the fundamental cause of the higher cost of living. The public mind continually confuses this

ownership of opportunity, this privilege of private taxation, with the identity of Capital, and seeing so much indefensible inequality of fortunes, is confirmed in the conviction that Capital is continually robbing Labor, and that the two are, as Marx teaches, natural enemies; whereas nothing is more certain than that they are natural allies—nay, twin brethren—each wholly dependent on the other for its own greatest good. The real truth is that Rent, when nursed to its full strength by favorable transportation rates, yokes both Capital and Labor in its service and allows to both simply the slave's wage of subsistence.

Even a dull man can surely understand that a nation of ninety millions produces only so much wealth in any given time; that the more of this product Capital and Labor have to pay for the privilege of producing it, the less they will have to divide; and that since the share of Capital, in spite of theory, has become a fixed rate instead of a widely fluctuating quantity, the excess of the toll taken by Privilege will fall most heavily on Labor. That this is the actual condition, our eyes and ears tell us, and hence it can, with confidence, be predicted that if we do away with the excessive toll levied by Privilege, in the shape of high speculative selling and rental values of land in certain restricted districts, we shall, to a large extent, increase the gains of Capital and to a larger extent increase the gains of Labor—and by Labor I mean the useful productive work of all men—farmers, merchants, miners, mechanics, clerks, doctors, dentists, perhaps a few lawyers—all who perform useful functions in the great scheme of our complex social life.

## The Common Rate and Land Values



**I**F in the absence of any Constitutional prohibition, the Congress were to enact and the President were to begin to put into execution a law providing that two billion dollars of taxes should be raised annually in the United States, and that this should be done by a system of graduated income taxation, falling lightest on those best able to pay, heavier on those next best able to pay and so on down the line until the heaviest impost of all fell upon those the least able of all to pay, it is probable that armed insurrection would be only so long in coming as it took for the people to reach for their guns.

And yet this monstrous thing is done every year, and—such is the force of ancient use and habit—done not only with no objection, but with unanimous approval.

If we use the word “rates” instead of taxes and the words “Common Carriers” instead of Congress and President, there is no substantial misstatement of fact in the first paragraph.

In round figures, the railroads will haul during the coming year, 2,000,000,000 tons of freight, for which service they will be paid in round figures \$2,000,000,000. This great tax, more than the government revenues of the United States, Great Britain, France and Germany, the people of this country—all of us who eat, drink, sleep in houses and wear clothes—must pay. Nor is the tax in itself unjust. But in apportioning the tax, the railroads will base the distribution

of the burden upon three prime factors of computation: classification, weight and length of haul. Now as I have said, this third factor of rate computation is the economic wrong which is chiefly responsible for that unfair distribution of created wealth that causes nearly all our social and financial distresses. And evidently, the freight tax falls lightest on him best able to pay, and heaviest on him least able to pay. The farmer, for example, living twenty miles from the city market, ships his produce to, and his purchases from that market for much less cost than does the farmer living two hundred miles from the market. Yet the farmer who pays the much smaller tax for the equal service—equal as far as both farmers are concerned surely—of getting the same amount of produce to market, is in every way best able to pay, owing to the very advantages which his proximity to market gives him. The consideration of this point brings us at once face to face with the most important question of all—the probable effect of the Common Rate upon land values.

To my mind, by far the most beneficial first effect of a universal like freight charges for like goods of like weight, regardless of distance, would be the inevitable and rapid movement of all land values, upward and downward, toward a permanently common level. Not that absolute equality of value would take place, of course; but a strong tendency to equality, and permanent equality, would unquestionably set in. It is unnecessary to go into extended argument to prove that such an approximate equalization of land values would attend upon an equalization of freight rates. Farming land

twenty miles from the city in which I live, rents for \$25 an acre, and sells for from \$250 to \$350 an acre, simply because it has cheap rates to and from the city. If the same freight rates for milk, butter, eggs, poultry and garden and orchard products were annexed to all lands within a radius of five hundred miles from the city; it is certain that there would be a fall in the selling and rental values of the nearby land and a rise in the selling and rental value of the outlying land. The fall would be much more marked than the corresponding rise, because the loss would be to a comparatively few acres and the gain would be spread over a great many more acres. But there would be no loss to the farming community as a whole. There would be simply a redistribution of values among a great number of farmers. Indeed, with the impulse given to increased production, and the consequent employment of more consuming labor on the farms and in the city, there would not only be no loss, but a decided gain, by way of decreased cost of food products, since those products could be more cheaply produced, at better average profit, on the lower priced lands. The only losers would be the comparative handful of owners of high-priced used and unused lands, lying close to the city. In other words, Privilege would lose just so much power to tax industry, and producing and consuming Capital and Labor would have just that much more wealth to divide between them.

Poets are prone to sing of rural felicity and well-disposed gentlemen of the pen, many of whom could not differentiate a hay-rake from a hop-pole, are ever ready to

demonstrate in print that the American farmer lives an ideal life of independence, ease and comfort. But the American farmer knows better and so does his wife. Statistics showing enormous crops and great prices are as misleading as statistics are wont to be. The farmer knows he grows the enormous crops. He also knows that he does not get the enormous prices. As a matter of fact, he is lucky if he gets one-third of the immense sums paid annually by the consumer for the products of the farms. The life of the farmer living at any considerable distance from the great markets is hard, his work is hard, his hours of labor long and his profits a niggardly return, indeed, for the capital invested and the labor performed by himself and his family. True, under exceptional circumstances, large profits are made in farming. The raisin farms about Fresno; the apple farms of Southern Oregon and of the Hood River and Yakima Valley regions; the melon farms of the Imperial Valley; the fruit and vegetable farms in many scattered localities, have earned their owners great profits. These are exceptions. And it is a fact that as soon as one of these highly profitable specialized branches of farming shows evidence of permanence of high profits, that branch usually begins to pass from the hands of independent horticulturists or vineyardists or vegetable growers, as the case may be, into the hands of speculative corporate combinations which soon apply the pressure of more favorable freight rates to the remaining independent small owners.

If crops of any given kind went to every market from every farm on even terms of freight, an intensive system of farming small holdings would be at once possible on millions

of acres where it is not now possible. This would operate greatly to increase the farmers' profit and decrease his labor, for every farmer knows that it costs less money and work to cultivate an acre in a highly profitable way than two acres in order to get the same gross profit. The small farm, worked to its limit of production, is the minimum of labor with the maximum of profit. But the small farm is dependent for its existence upon freight rates to market which it cannot now obtain unless close to those markets. With the Common Rate in operation, these small intensely cultivated farms would abound, doubling and, perhaps, quintupling the productive capacity of our farming area. Thus homes and a comfortable living would be provided for millions more of the population. The element of speculative value having disappeared, large idle holdings would rapidly be cut up into small tracts and disposed of on equitable terms to actual users.

It is true that small tracts can be purchased now, in many districts, cheaper than they could be, probably, if the Common Rate were in force. But it is also true that under present conditions one of these small tracts, in these districts, could not produce enough profit to keep a healthy chicken fed. Five or ten acres, located where freight rates on butter, eggs, poultry, milk, cheese, fruits, berries and like products are prohibitive, might produce a bare living that would satisfy a Russian moujik or an Indian ryot, but which would certainly not tempt an American to bend his back to the work of cultivation. The living cost and the profits of the small farmer must come largely from the profitable market-



ing of dairy and poultry and orchard and garden products—the very things for which the consumer now pays extravagant prices and of which the nation, with all its wealth of soil, never has enough. The country could absorb the produce of hundreds of thousands of such small farms. The ability to consume would keep pace with the increased ability to produce. For it must be remembered, maugre some of the doctrinaires, that in actual life the supply most frequently creates the demand, that wealth breeds wealth, that production excites consumption. If we doubled the production of farm wealth, we would just as certainly increase to that extent the profitable production of manufactured wealth, with a corresponding profitable increase of all the incidental activities of trade and commerce. No nation ever did or ever will injure itself or suffer loss by the increased production of wealth in any form—though it is conceivable that individuals might do themselves thus a temporary injury. Over-production is a bugaboo, fit only to frighten children. It has no existence as an injurious factor in national life.

There need be no fear that if farm land values were approximately equalized by the Common Rate, all our farmers would rush to cultivate special crops and leave none to grow the wheat, the corn, the oats, the barley, the hay and such necessary and homely yields. The American farmer is no fool. His eyes are open. He looks ahead. What is needed, he will grow. The fact is, that with the Common Rate, every section would grow the crops for which the soil is best fitted and the climate most favorable, for with the artificial restraints of unequal freight rates removed, there would be

no inducement to do anything else. The wheat-grower, for example, knowing that it then would cost him just as much to ship wheat from any farm to any market, would waste no time in looking for good wheat land close to market, but would confine his attention to getting the best land for wheat growing, no matter where situated. He will not care at all whether it is in Dakota, Texas or California. So with the corn-grower, the hay-grower, the oats-grower and every other grower. Open all markets to all lands on the same terms and common sense will send every man to the land best suited to his specialty. Thus the lands would be used, by mere force of natural selection, to the very highest advantage of which they were capable; and this, taking place all over the country, would greatly enlarge the production of wealth on the lands now under cultivation.

When I contemplate the estate of competence and dignified independence to which millions of American husbandmen would be raised by the operation of the Common Rate; when I see, in prospect, the countless homes provided abundantly with conveniences and luxuries; when I think of the burdens of ceaseless labor and hard living that would be lifted from so many patient shoulders; of the comforts that would be brought to so many women, worn with hopeless drudgery; of the literature that might then be had to entertain and instruct and refine; of the fuller tables and the happier homely firesides, I confess that my heart swells within me.

The picture is no idle vision—of that I am sure. Some day the men of my country will write into their laws the

righteous statute which will make a splendid reality of that which is now but the hope and faith of one of the humblest of the citizens of the great Republic. The acorn falls and is trodden under a careless foot; the suns shine and the rains fall and, in the times of God, a mighty oak spreads its branches and men draw gladly to the shade and shelter of its stately and benignant presence. And so, I have faith to believe, will it be with the seed of this economic truth.

## The Effect of the Common Rate on City Land Values



THE effect of the Common Rate upon land values in cities would naturally be more sudden and more marked than the effect upon farm land values. There is an enormously greater difference in the prices of urban lands than there can ever be in the prices of farm land; and since one small lot in a city may be, and often is, worth a thousand times as much as a lot of the same size in the same city, a decided movement toward nearer equality in these values would doubtless greatly decrease many large private fortunes and would certainly greatly curtail the profit of the real estate speculator. And it is probably true that the movement toward equality would not be a movement of lower values upward and higher values downward in the great cities, but a decided fall in the values of high-priced land in such localities, and a slight and much slower rise in the values of land in small cities and towns. This would be due to the single fact that the great cities are few and the aggregate loss would be concentrated, while small cities and towns are numerous and the corresponding aggregate gain would be widely distributed over a great area. But, to my mind this, while disagreeable to the rich few, would be a happy and beneficial result to the many. And as I have said before, the true theory of government and of society is to seek the greatest good of the greatest number.

The justice of the Common Rate must be measured, not by its results upon the fortunes of these individuals or those, but upon the fortunes of the whole mass of the people. The question to ask and answer is not whether Landlord Jones or Smith will be worse off or better off, but whether the whole community, which by its presence on the spot alone has made Landlords Smith and Jones rich, with no effort on their parts, will be better off.

Not long ago a writer in one of the popular magazines made a sententious statement, the full importance of which he probably did not himself realize, but the truth of which is certain. "Freight rates," said he, "make cities." And he might have added, "and unmake cities." Andrew Carnegie, in one of his entertaining books, tells how he saved Pittsburgh's rank as a steel-making center by compelling the Pennsylvania railroad to grant Pittsburgh freight rates to important markets no higher than rates enjoyed by dangerous rivals. He won his point by a not idle threat to build a competing road. There is not the slightest doubt that the small difference in shipping a ton of steel, thus forced from a railroad many years ago, made Pittsburgh. All our great cities are simply the gigantic embodiment, in brick and stone and steel, of advantages in freight rates. Thirty years ago a lot on the principal street of the city in which I write could have been bought for \$25 a front foot. Today the same lot would sell for \$5,000 the front foot. Freight rates did that. Thirty years ago a lot in the village where I was born would fetch, perhaps, \$10 the front foot. Today the same lot is worth no more. Freight rates did that. Thirty years ago farm

land close to this city would fetch \$10 an acre; now it sells for \$500 an acre. Thirty years ago my father's farm was worth \$100 an acre. It is worth no more, if as much, today. Freight rates raised the value in one case and kept the value stationary in the other. It is only after carefulest consideration and most laborious thinking that we can come to a full realization of the enormous power of freight rates to affect every condition of society and almost every action of our daily lives. No autocrat, no Czar, no Cæsar, ever could hand down rescript or decree which could so nearly touch the lives and fortunes of cities and men with irresistible power, as can our railroad tariff-makers.

The practical destruction of high speculative values of city real estate would not destroy a penny's worth of actual wealth. These speculative values only measure the amount of wealth which non-producers annually take from the production of active Capital and Labor. They do not add one cent's worth of real wealth to the common stock. To destroy them is only to destroy the power of Privilege to prey on industry. It is certain that in any year, in any community, Capital and Labor exerted on land will produce only a given amount of wealth. It is certain that Capital and Labor can only divide what is left of their joint product when Privilege has taken its toll in the shape of rent. And it is certain that the higher speculative real estate values are in that community the more Rent will take from the joint produce of Capital and Labor and the less produce Capital and Labor will have to divide. Economic laws are as sure to fulfill themselves as are the laws of the physical world. And, hence, so far from

being desirable, high speculative real estate values are a curse to the community. They prey, by night and by day, upon the very vitals of prosperity.

The extravagant figures, constantly paraded with so much pomp of advertising, setting forth triumphantly the phenomenal rise in real estate values in this or that city, are really pitiable exhibits, and form an unpleasant commentary on the state of public intelligence. Lazarus, parading his sores, and exposing with particular pride a new and rapidly swelling tumor, would be as sensible an exhibition. The faster the speculative values rise the faster the law of diminishing returns to Capital and Labor works, and the sure eventual result is a city with fat landlords, lean business men and leaner workmen. Up goes rent and down come interest and wages. And all the time the prime necessities of life—clothing, food and shelter—refuse to fall, if they do not actually increase in cost.

The Law of Diminishing Returns simply means that on a given quantity of land (using the term "land" in its full economic sense) more and more Capital and Labor can be expended with increasing profit only up to a certain point where profit will begin to decrease and continue to grow less and less. As country folks put it, one cannot farm a one-horse farm with a six-horse team and make things pay. Now, this law applies not only to farms, but to all business; and not only to individuals, but to communities—towns and cities in mass. The owners of real estate which has speculative value are constantly inciting more building and the exertion of more Capital and Labor, by urging on the increase of pop-

ulation. The result is to increase land values and rent, of course; but since no one can eat his cake and keep it, and since where there is dancing the piper must be paid, the inevitable outcome of a period of "boom" is a period of exhaustion—with much gain to the few and much loss to the many. Every so often the result of this thing going on all over the country simultaneously is called a "panic"; when we see the painful and absurd phenomenon of a great people, equipped with the finest machinery of production, used to have and to need wealth, with enormous harvests in field and granary, and no visible natural reason for a wheel to stop or a workman to cease working, sitting in national idleness and distress—helpless as a babe in the midst of abundance! The truth is that speculative land values—economic Rent—have taken so much of the production of Capital and Labor that these two are bankrupt. They have not only given up an enormous share of the wealth they have produced, but have mortgaged their future production. This subject, however, I shall not now discuss, as its importance deserves the fuller treatment I mean to accord it in another chapter of this work.

The marked fall in speculative land values would unquestionably check the excessively rapid growth of population which is now so characteristic of our American cities. This will seem an evil result to some, but to the student of men and affairs it will seem, I think, a benefit of high importance to the nation. The congestion of population in a few great centers, which is the work of advantageous freight rates—they being the cause, as high speculative real estate values are primarily the effect of increased population—is a problem



to which the nation must address itself with thoughtful concern. Our cities grow too fast in proportion to our national growth. To recruit the armies which march through their streets the rural communities are robbed of their best youth and their wisest age. Into the hoppers of these enormous mills of activity are poured the brains and energy of the land. Nor is the grist that comes out altogether good. Excessive individual riches and much poverty; political and business methods which skate continually on the thin ice of dishonesty, if not criminality; a very general lowering of tone—these are unquestionably some of the results of life today in great cities. Now, it is as true as when the Teacher said it that man does not live by bread alone. Character is above dollars as a national asset. We Americans have an inborn faith in our ability to achieve anything material that can be achieved. We face the problem of subduing nature to our needs with alert optimism, and as will as readily undertake to remove mountains as mole hills. And this is well. Otherwise, the buffalo might yet be cropping the grass of the prairies and the Indian lighting his camp fire in the passes of the Rockies. But if we go on from achievement to achievement, from triumph to triumph, and keep not fastheld the righteousness as well as the valor of our fathers, what shall all its gains avail the Republic? Surely, as it was said of olden time, it shall profit a nation nothing if it gain the whole world and lose its own soul.

The physical body to remain sound in health demands balanced food, balanced exercise of its powers and an undisturbed equilibrium of the mechanical and chemical processes

of its atoms. This equilibrium is as necessary to the health of states as of individuals. And this equilibrium the excessive growth of our cities, at the expense of the small towns and rural districts, continually disturbs. The results are a loss of possible productive power, an undue concentration of Capital and Labor in restricted territories, the gain of great wealth by some non-producers at the expense of great loss by many producers. A careful observer cannot fail to see this evil cause resulting in these evil effects everywhere in the land.

This evil has not escaped the eyes of good men. At present there is an earnest effort on foot to return the surplus of this urban population to the country. "Back to the land" is the watchword of those in this work. The purpose is undoubtedly good and the work, in a measure, a benefit. But it remains true that as long as the attractions of the city continue to be greater than the attractions of the country, so long will men of ambition and energy desert the farm and the village for the great town. The moment we begin to equalize the opportunities for gain in the village and in the city, that moment will Capital and Labor and population begin to diffuse themselves over wider areas and the natural equilibrium of things be restored. And this necessary fundamental equalization of gainful opportunities the Common Rate will bring about automatically. The rising of tomorrow's sun is not more sure.



## The Effect of the Common Rate on Towns and Villages



IN THE foregoing chapter, I asserted that the fall in speculative real estate values and the check of the growth of population in those cities, would be accompanied by a slower, but sure, rise in the real estate values of small towns and farming districts, as well as in an increase of population at such points. Let us now go into an examination of this matter, which certainly is one of importance, for the fundamental argument for the Common Rate is that it will diffuse the wealth constantly being created more equally among those creating that wealth. The contention I have in view all the time is that the first great cause of so much poverty in the midst of so much wealth-making is the unfair distribution of wealth brought about by unequal transportation charges, which gave artificial and grossly unfair values to real estate in certain limited districts. I have tried to show that the result of the Common Rate would be a fall in these values in those districts, and I think it is equally certain that the values taken away from unduly favored points will not be destroyed and lost, but will be distributed over the whole country and among the whole mass of capital-providers and workers.

“Rent,” says Ricardo, “is always the difference between produce (i. e. the market value) obtained by the employment of two equal quantities of capital and labor (on land).

Whatever diminishes the inequality of produce obtained from successive portions of capital (and labor) employed on the same or new land, tends to lower rent, and whatever increases the *inequality* necessarily produces an opposite effect and tends to raise rent."

Since we see that in our times the productivity of land—that is to say, the market price of its product—is dependent upon freight rates to market, it follows, if the Ricardian law be sound (as it is) that the equalizing of the freight rate would destroy the inequality of produce (except natural inequality of fertility, which in modern days is a factor of no great importance) and so would everywhere lower rent. This would bring about automatically, as I have said, a decided fall in high speculative land values, markedly in the great cities and an eventual widely diffused rise in land values in small towns and farming districts. But this rise would come about slowly, since the operation of the Common Rate would make so much more land and so many more manufacturing opportunities available for the employment of Capital and Labor, that Capital and Labor would everywhere be sought by Land, and not Land by Capital and Labor. This would cause a long period of low rent, low speculative values, and high interest and high wages, accompanied, of course, by great trade activity and wide-spread prosperity.

The beneficial effect upon the trade and growth of the small towns and villages would be very marked. The village merchant would be able to buy his stocks as cheap as the city merchant. With less rent to pay he could certainly sell as

cheap as the city man. He could make a substantial reduction in nearly all lines to his customers and still have good profit. This would result in increased quantity of goods bought of him, and the ability on his part to carry larger and better assortments of goods. The village farmer, mechanic or manufacturer, enjoying equal markets with the farmer, mechanic or manufacturer near or in the city, would have larger profits and higher wages, and more wealth to exchange for goods. This increase in farm and village opportunities for gain, would result in keeping at home and attracting back home the hundreds of thousands of men who are now crowded into the great centers of population by lack of opportunity to do well in their native rural districts. And so the rural districts would grow in population as well as in wealth. And as population makes increase of land values, the steady annual increase of these values would be distributed all over the country among the whole people. How beneficial this diffusion of capital and labor engaged in wealth-making would be to the railroads themselves is evident, but that subject I shall treat of at some length later.

"The destruction of the poor," said the Wise King, long ago, "is their poverty," and in the modern world this saying is sharply accentuated, not only in the case of individuals, but also in the case of communities. Everywhere we see those least able to pay, paying the highest prices for necessities. In the populous cities, the poor, who buy fuel by the sack, food by the dime's worth, clothing little by little, and a home in the shape of one or two miserable rooms, pay a much greater price than the rich do for the same quantity of necessities.

In a measure this holds good of small communities. They pay more for the same goods than the people in large cities do, though the people in large cities have to pay a much greater tax in the shape of higher rents added to the cost of goods. But on the other hand, since the large cities are made, by favor of the railroads, the distributing centers for the goods that go to the small communities, these again must pay a tax on added cost of local freight charges, and a share of the city shippers' high rents. Add to this the greater proportional cost of carrying on many scattered business enterprises than of carrying on one great city business, and the result is as stated—the people in small communities pay more for the same goods than the people in great cities.

Now, the moment the Common Rate was put in operation this condition would vanish. For once the city and village are put on equal terms as to freight, the factor of high rents in the city and low rents in the village will overcome the factor of greater economy in operating business on a large scale instead of a small scale, and the prices of goods everywhere would tend to come to a common level. This condition, of course, would react upon the excessively high rents in cities, but the final result would be a nearer equalization in rental values and in selling prices of goods everywhere. This would bring about a constant steadiness of market prices, a very great benefit to producer and consumer. } I am inclined to think that this steadiness of prices and easy and equal access to all markets would have the curious effect of putting the gentlemen who gamble with the necessities of life in the exchanges of New York and Chicago and other

cities practically out of business. The only opportunities these men have to rob their stupid victims are afforded by the fluctuations of prices of cotton, wheat, oats, etc., and while these fluctuations are artificially excited by the gentry who rig these games, the calculations that bring them about are all, in the last analysis, based on the freight cost of getting a certain portion of the crops to market. But however that may be, the opening of all markets to every farmer and every small manufacturer or merchant, would unquestionably put the millions of our people who live on farms and in small communities on such a basis of prosperity as they have never enjoyed.

It is to this great body of American citizenry that I make my appeal. Long residence in great cities has not resulted in admiration of all the influences surrounding life in those centers. With much that is fine, there is much that is debasing. Side by side with a few thousand successful rich men are many thousands of those who, in the homely phrase "just get along" and cheek by jowl with these are many thousands of the ignorant and vicious—the rag-tag and bobtail of Europe and Asia, the tenement workers, the sweat-shop slaves, the saloon keepers, prostitutes, macquereaux and their protectors among the politicians and police. These infamous and festering sores on the body politic spread their poison through all its veins and arteries. With less of outward culture and refinement than the dwellers in cities, it is true nevertheless that the sound, healthy mass of American citizenship is in the country. There, in the villages and among the fields, dwells the final hope of the nation. There yet is to



be found the breed of men whose fathers knelt behind the rail-fences at Bunker Hill; who met with an equal bravery, whether in blue or in gray, in the shock of arms on Gettysburg's famous field. And there must the Republic seek her strong help when beset by foes within or without.

As this is written a newspaper lies at hand—a shameless journalistic prostitute—which gloats in huge type over the fact that the city in which it is printed has just turned out of office a scholarly and upright Mayor, and a Board of Supervisors composed of honest and intelligent citizens, to make room for a noisy and vicious demagogue and an accompanying crowd of ex-prizefighters, ward-heelers and scum of that sort. For three years a little band of public-spirited citizens have given freely of their money and time and effort to cleanse that city of its shame and corruption, and their reward has been a torrent of falsehood, abuse and vituperation of almost inconceivable malignity; and this, too, poured out, not alone by the low habitants of the slums, but by editors, lawyers, bankers and business men suborned by powerful interests whose rascality was in danger of justice. What we see in San Francisco, in Philadelphia, in Chicago, in St. Louis, in dozens of cities, justifies the belief that our cities contain too many poor and idle—that they grow too fast for their own and the national good. To break up the tendency of our people to flock to these centers and to make the decent, orderly, clean life of the farm and country town more gainful and more attractive is a work to which the best intelligence and the most unselfish patriotism may well bend their utmost effort.

## The Effect of the Common Rate on Manufacturers



THE most striking change in the American life which has occurred within the memory of men not yet old, is the almost total disappearance of the small manufacturer and the independent mechanic. When men now of middle age were boys, even the smallest village had its wagon-maker, its harness-maker, its shoe-maker, its cabinet-maker, and the like independent mechanic-manufacturers. In the process of the country's growth in wealth and population nothing would have been more natural than the growth of these small manufacturing shops into larger ones, employing more apprentices and journeymen, and adding their share to the general increase of local activity and local wealth. But we have seen no such growth take place. On the other hand, we have seen all this multitude of small manufacturing enterprises perish. Single wagon factories, located two thousand miles away, devour whole forests of timber annually and ship the finished product back to the region where grows the timber; single shoe factories in New England take the hides of the Western cattle and return the shoes across the continent to the consumer; even the beef and mutton of distant states must go alive to one or two monopolies in Chicago or Kansas City and be shipped back dressed to the region from which it came before the local butcher

can sell the meat to his townsmen. Every form of manufacturing has been concentrated in a few hands and located in a few centers. This concentration is due solely to one cause—the possession of favorable freight rates. To the legal advantage given certain manufacturing interests by the factor of distance haul were added the illegal advantages, which the unscrupulous were always ready to buy, of secret rebates. But without any secret rebates, the same result would have occurred, in less aggravated form, by the action of the distance haul factor alone.

It may be urged that the possession of improved machinery, the economy of large production and the power of salesmanship possessed by the great factories are the true reasons for their possession of monopoly. The obvious reply is that in the beginning the great factories had none of these advantages, because they themselves grew from small beginnings. Granting the factor of business acumen and enterprise as necessary to success, it is still certain that among all the thousands of men in business no three or four or a dozen men possessed to themselves a monopoly of acumen and enterprise. No, an advantage, legal or illegal, in freight rates, either on raw materials or fuel or the finished product, spells the secret of success in the case of every monopoly. Take shoes, for instance. There are five million people on the Pacific Coast who wear shoes. There are thousands of cattle to provide hides. There is bark in plenty for tanning the leather. If there is a shoe factory in all this region—three times the size of France—I am not aware of its existence. Why is there none? Because it would not pay to manufacture

shoes. Why would it not pay? Because the New England manufacturers, in order to hold the market would sell cheaper than a manufacturer here could sell. How is that possible? Because the Eastern manufacturer with cheaper rates on fuel, machinery, much of the raw and all of the finished product, can reach such a greater population *in the East* that he can, in a pinch, sell to his Pacific Coast trade at a loss long enough to put a local factory out of business, and despite this loss, earn a profit on his gross business. It is not that the New England manufacturer can ship to Pacific Coast customers cheaper than a Pacific Coast manufacturer could, but that he can ship to and from all populous Eastern regions cheaper than the Western competitor can. So that, fundamentally, the control of the whole country's trade is given to the Eastern shoe manufacturers because they have the freight rate advantage in the most populous half of the country. The same principle works in every line of manufacturing.

Now, then let us suppose that the freight rates on fuel, machinery, hides, tanned leather—on everything that goes directly or indirectly into the making of a shoe—as well as the rate on shoes, were flat rates, regardless of distance. The manufacturer on the Pacific Coast or in Texas, or in Florida, could meet the manufacturer in Massachusetts, for instance, on equal terms in every city, town and village in the United States. The battle then would be one of business skill and quality of goods. Is it not evident that the monopoly of the shoe trade would pass from a few hands to many, and that independent shoe factories would spring up and make interest

for Capital and wages for Labor all over a great territory where such an industry is now unknown?

The great factories would by no means have to close their doors. Their monopoly would be ended, that is all. And they would have to meet real competition. If they continued to hold trade it would be by the natural healthy means of the best goods for the lowest price. And this would mean cheaper shoes for the American people. As a result of the general increase of business activity in all lines and the general increase in the profits of capital and labor, there would be an increased buying power, which the shoe trade would beneficially feel, and it is quite certain that the established factories would find a profitable bulk of business, while new competitive factories were growing up elsewhere. It is true that a given quantity of business can only be divided into so many quantities of certain size, but the contention for the Common Rate is that it would make an enormous increase in the quantity of business to be divided. My belief is, and it is not one carelessly formed, that this single factor would double the wealth-consuming power of the United States in ten years.

The more wealth a people produce, the more they can and will exchange. Business is the exchange of wealth for wealth—wheat for shoes, for instance. Of course, we translate the transaction into terms of money, but money is only the medium of exchange—a mere convenience of trade and not wealth in itself. A man naked and alone on a barren island, with neither food, water nor shelter, would be abjectly poor if he had a million dollars in currency.

Wealth is of no account except for enjoyment, and nearly all enjoyment is dependent on exchange. Men exchange capital and labor for wealth. When wealth is plentiful it is cheap. Less capital and less labor buy more wealth, or, as we say, Capital earns higher interest and Labor higher wages. High interest and high wages are always the twin benefits which come with increased wealth production. It is remarkable how many persons there are who fail to see this plain economic truth. Nothing is more certain or more true. Conversely, when wealth is scarce, it is dear, and less wealth buys more capital and labor, *i. e.* dividends are lower and wages lower. That is the exhibit of so-called panic times—curtailed wealth production, decreased dividends, lowering of wages. The trinity are inseparable.

It is certain that increased wealth production benefits Capital and Labor and, of course, makes trade active. In common talk, the more we make, the more we have; the more we have the more we buy and the better we live. It is remarkable how pithily the common maxims express the laws of Political Economy. The workman says to his mate—"There are too many men in town for the job." He states the Law of Marginal Supply and Demand with exactness. He says of the merchant who is moving heaven and earth to increase his business: "That fellow is working to raise his rent." Which is an accurate characterization of the "unearned increment." It is a pity so many economic writers are afraid to express themselves with equal clearness, common sense and pithiness.

The effect of the Common Rate then, on manufacturing,

would be a very great increase of demand for manufactures and the establishment all over the country of small local manufactories to meet this increase. (Localities possessing natural advantages, such as water-power, convenient coal or raw materials, and which are now debarred from making use of these advantages by prohibitive freight tariffs, would become the seats of profitable industries, employing the home folk and increasing home trade and values. There are thousands of such potentially capable localities. The manufacturers now herded in the cities in order to get the best freight rates, would be free to scatter in search of more naturally advantageous sites, and cheaper rents. This would bring about a decided fall in city rental values—an unmixed public good, since a fall in such values simply means that idle Privilege gets less and Capital and Labor get more of the wealth the two produce. There would be a fairer and a much more widely distributed apportionment of profits. The excessive growth of the cities would be to that extent so much more retarded and the growth of the small towns and the attendant rise of country land values that much more accelerated. The consumer would buy cheaper, and producing capital and labor would have more profit, because consumers and producers would share between them the share of the profit which speculative land values now take in the shape of excessive rent.

It will be observed that with whatever form of activity or line of business we begin our examination, we always find the outcome of the Common Rate to be a wider distribution of production, an increase of production, an increase

of demand, a decrease of cost to the consumer and an increase of profit to the producers, Capital and Labor. And this is uniformly so, because the present unequal and unsatisfactory economic conditions in every line of human production and consumption are due to the impost levied on all activity of Capital and Labor by speculative land values in the shape of Economic Rent; and these speculative land values, again, are, at present and for many years to come, made possible by the inequality of transportation rates.

A disease may declare its presence in a hundred different patients by a hundred different symptoms, but the physician knows the cause is identical in all cases. If he is a wise physician he treats the cause. Our political doctors have been plastering boils and putting hot water-bags to cold feet and administering tablets for sick stomachs and treating the symptoms of the body politic with local remedies for years, and the body politic is still sick. Some day the common sense of the nation will administer a remedy for the disease itself.





## The Effect of the Common Rate on Mining



MINING is the third of the three prime industries of men. It is a very great industry in our country. Upon coal and iron are founded the bulk of manufacturing enterprises and the greater business of railroad construction and maintenance. Upon copper we depend for the transmission of electric energy and the performance of a host of minor duties. Upon gold men agree in believing, at least, that they are dependent for exchange tokens. Silver, lead, zinc, tin, quicksilver, antimony, nickel, mica, asbestos, marble, gypsum, limestone, phosphates, borax, soda, talc, fullers' earth—these are some of the many minerals indispensable to modern industries. Oil fills a very large field of usefulness. Beyond doubt the business of mining is equal in importance to the business of agriculture or that of manufacturing. Let us now consider what broad effects the Common Rate would produce in this necessary, extensive line of wealth production.

For several years the writer has himself been interested in the mining business, with the result of accumulating a fat experience and a slim pocket-book, and his ventures in more lines than one, over a territory reaching from Alaska to Mexico, have brought him into contact with many men engaged as owners, operators, promoters and prospectors of a multitude of mining enterprises. Speaking from this platform of practical experience, he is certain that neither agricul-

ture nor manufactures are so directly and as it were, at first hand, absolutely dependent for permission to exist upon freight rates as are any and all mining businesses. The legitimate mining promoter—and when I speak of mining promoters I refer to a very useful class and not to the gentry who periodically unload wagonloads of wild-cat stocks on the gullible Eastern public—the legitimate promoter, before he approaches the probable investor, will inform himself as to the size of his vein or deposit, the percentage of mineral the rock carries and dozens of other items of inquiry, but he knows that the first question he will have to answer will be: “What’s the freight?” Until that question is answered acceptably, it is useless to produce maps, analyses, assays, mill tests or engineer’s estimates. It is never “What have you?” but always, “What will it cost you to haul to market?” The average investor knows no more of the true theories of Political Economy than the average banker knows of the real law of money, which is a very negligible quantity of knowledge, indeed; but it takes no other knowledge than that acquired in the school of hard knocks to make the mining investor certain that success or failure depends first and last on the cost of transporting his machinery to and his product from his mine.

In the very nature of things the great majority of mining deposits are located at considerable distances from the railroad centers where favorable freight rates are to be had. Manufacturers can be herded at convenient strategic points, and large agricultural territories are apt to enjoy some advantage of proximity to transportation centers. But the

mine is usually in a remote district. Its output is subject to a long haul. Many of the Western roads, if not openly hostile to mining enterprises, certainly are slow to grant payable rates. And the margin between the rates under which a few favorably situated mines can operate and the best possible profit is so narrow that hundreds and thousands of really valuable mines, less favorably situated, are forced to lie undeveloped. This is true even of such useful products as iron, oil and copper. Not infrequently, too, there are "inside interests" in both manufacturing and transportation corporations which are benefited by the production of one group of mines and averse to the development of other groups, which may have the natural advantage of situation; and here the freight rate is brought into play as a staff for the feet of the one and the club for the head of the other. But whether fairly or unfairly used, the mining business depends from first to last wholly upon the cost of getting to market. It is at once the breeding mother and the abject bond-slave of the railroad.

I am persuaded that all industries would be benefited by the adoption of the Common Rate. But I am also persuaded that no great group of industries would be so instantaneously benefited as would the mining group. With an equal cost of transporting machinery and an equal cost of transporting ores, regardless of length of haul, millions of capital and thousands of men would hurriedly be put to work in the mountains of Colorado, Montana, Utah, Wyoming, Idaho, Washington, Oregon, California, and New Mexico. Gold, silver, copper, lead, iron and coal would pour in

abundant streams from the mine mouths that are now closed. The increase of wealth production and of buying power among those engaged in agriculture, manufacturing and trade, which would contemporaneously take place, would provide markets for the increased products of the mines, and the needs of the capital and men employed in this revival of the great basic industry of mining would again provide markets for the produce of the farm and factory. It is impossible to say how far-reaching and how great the effect of a great revival of the mining industry upon all other industries would be, but it would be very far-reaching and very great beyond a doubt. And that the adoption of the Common Rate would thus stimulate and revivify this industry, any man fairly acquainted with the business of mining will agree.

## The Effect of the Common Rate on Common Carriers



IN THE preceding chapters I have sketched, in outline and with broad strokes, purposely omitting much detail, the effects which the Common Rate might reasonably be expected to produce upon speculative land values; upon Privilege tolls in the shape of rent and unearned increment; upon the conditions of city, town and farm life; and upon the profits of Capital and Labor productively employed in agriculture, manufacturing and mining and the kindred activities of trade. This I may be allowed to call the opening argument in the case of the People of the United States vs. Privilege, Based on Freight Favors; and I call this the opening argument because I have followed the practice of the lawyers, who first outline their case in general terms, and afterwards introduce specific facts in evidence to support the argument. This whole book I ask to have regarded as precisely such an opening address. Specific facts and evidence in abundance are certainly not wanting, but I prefer to leave their presentation to a later day in the trial of this great issue which has now begun, but assuredly has not finished. And as a part of this same opening argument, in the same general way, massing conclusions instead of segregating a multitude of facts, let us proceed to consider the probable effect of the Common Rate upon the business of the railroads themselves. And first, let me say that certainly the water-carriers

must come under the same laws; and at another time their case will be discussed; but at present, since the great majority of the people do their shipping in cars, this argument will deal with the railroads as if they were the only common carriers of importance.

I have no sympathy with demagogic denunciation of railroads. I am of the West. A boy, I knew its prairies when the buffalo cropped the bunchgrass and the Indian was an odoriferous and unpleasant reality. Mine own eyes have seen a mighty wilderness blossom and fruit under the hand of the husbandman; have seen the camp-fire of the trapper give place to the smoke of the farm-house chimney, and the hunting pasture of the useless savage made the homesteads of millions of thrifty and happy folk. And all this incredibly wonderful West exists solely because across the plains, the streams and the formidable mountains the Captains Courageous of Transportation graded and bridged and tunneled and laid their lines of tie and rail. Doubtless in those formative and turbulent days, when gigantic prizes were to be gained or lost by craft and violence, when foolish and often vindictive legislation was met with any weapon at command—with bribery, evasion or defiance—these men did many things that were evil. But they did more that was good. The evil has much of it perished with them, but the good they wrought stands up a colossal fact, a towering monument to their high, adventurous valor and their intrepid faith in themselves and the future. The men who put their lives and the men who put their treasures into the building of our American railroads deserved their

rewards of power and money, and their successors deserve their full, fair share of the wealth thus created and being created. If it were in my power to fix such a Common Rate for service as I advocate, neither bond-holder, nor stockholder, nor railroad chief, nor employe should suffer loss of profit or wage. Surely the bee deserves to eat of the honey he has brought home to the hive.

The gross revenue which American railroads will derive from freight business during the coming year will be, in round figures, about two billions of dollars, and for this revenue they will haul, over an average distance of one hundred miles, about two billion tons of freight. Now, I, for my part, would be cheerfully willing to allow the railroads a gross payment of two and a half or even three billions of dollars for this same service, if they would perform it under the regulations of the Common Rate. The gross gain to be won by Capital and Labor from Privilege would over and over offset the extra net profit of the railroads. And the extra net profit of the railroads would perhaps not even then be the full share of the gain rescued from Privilege, and fairly due to the enormous capital and numerous labor employed in the useful productive function of transportation by rail.

It is a certainty that the great increase in agricultural, manufacturing, mining and trading activity will be followed by a corresponding increase in freight shipments. Now there is a seeming paradox known to all railroad managers: that is, the ability to haul freight under certain conditions below cost and still make money by the operation. It is



on the principle which actuates the shrewd merchant when, at the season's end, he sells the odds and ends of out-of-style goods for less than cost, counting any money got as so much better than throwing the goods out. So a railroad, having its fixed charges and its freight trains to be moved anyway, can earn money by getting additional tonnage at less than the average cost of haul. The engine and engine crew and train crew must go anyway, and the money got for freight that otherwise would not be shipped is so much gain. This frequently happens, and the reason is that none of our roads is worked to its full capacity. There is not one which could not haul more freight over its rails if it were sure of being offered the freight so as to prevent car-shortage. With new farm acres being cultivated, with new mines being worked, and new manufactories starting and old ones increasing output to meet the new conditions of business, there would be a tonnage offered which would tax every road to its limit of energy; and this extra tonnage, as railroad men know, is the source of profit.

An almost certain result of the compulsory adoption of the Common Rate would be the combination of all lines of rail and water transportation either in a gigantic pool or an actual consolidation of ownership, directed by department chiefs, responsible to a governing body. Of course, a change in the laws would be necessary to the legality of this desirable end, but in order to put the Common Rate in force other changes than this must be made. Politicians and statesmen have been busy for centuries hampering the natural developments of trade and commerce, but it is satis-

factory to know from the mouth of history that the laws of economic growth are always too strong, in the long run, to be held in subjection. People and rulers alike stumble in wrong paths, but sooner or later Economic Law takes both alike by the ears and sets their faces in the right direction. We may be quite sure that a complete standardization of all rates will lead to a consolidation of all transportation corporations, and that people will have seen the wisdom of such a proceeding by the time it is necessary.

In order to put the Common Rate in force this general legislation would be necessary:

1. A statute compelling all common carriers to charge a like rate, neither more nor less, for hauling a like weight of like goods and commodities, regardless of the length of the haul.

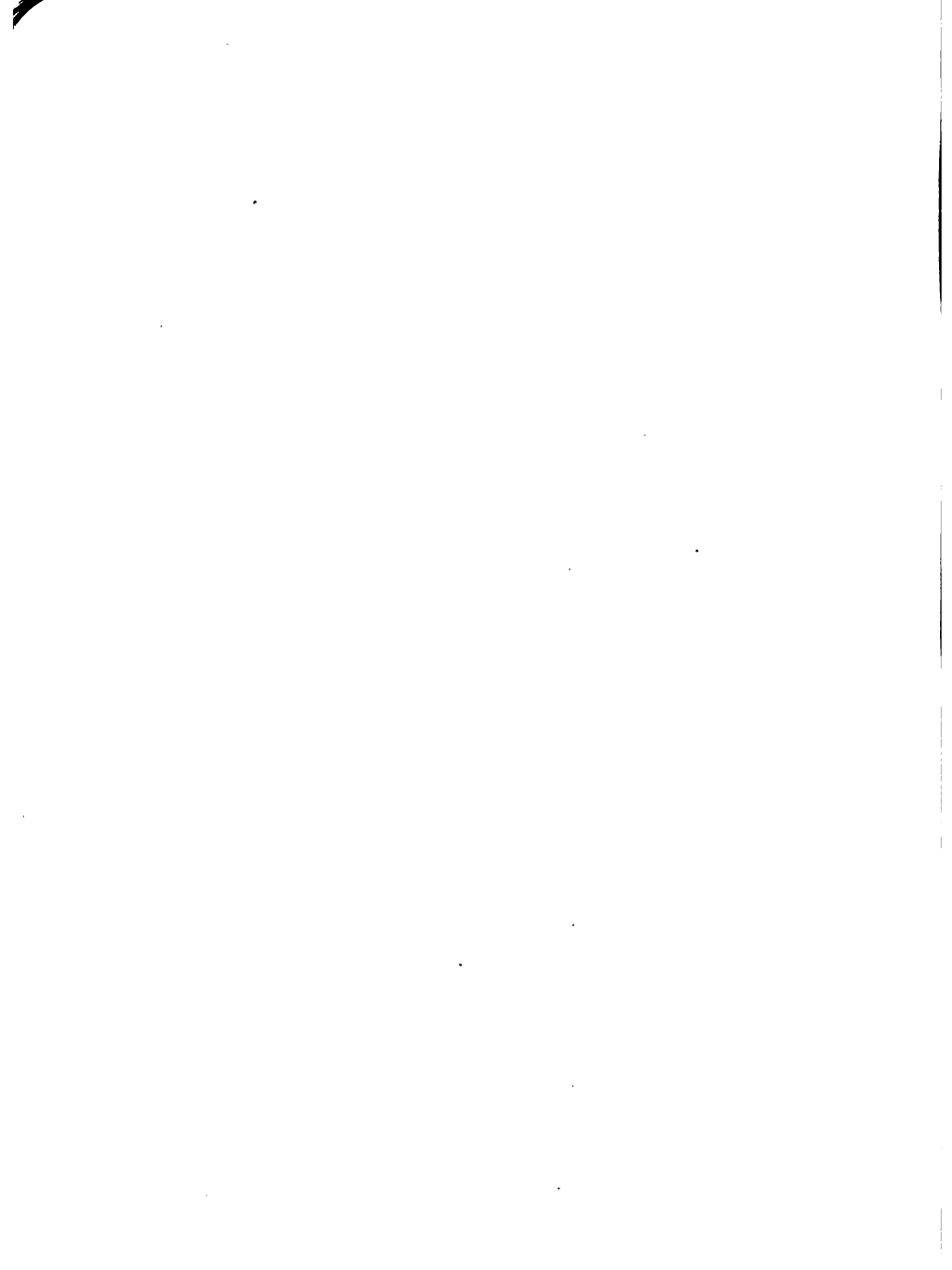
2. A subsidiary statute providing that the common carrier to whom the shipment is offered shall forward that shipment by the quickest practicable route over its own and connecting lines; and compelling the acceptance and expeditious forwarding of the shipment by the connecting line or lines, without any other than the fixed initial common charge to the shipper.

The classification of freight, the rates to be charged and all similar decisions should be left to the experienced intelligence of the railroad chiefs. Self-interest is a sufficient guarantee that they would not make rates too low to pay good revenue nor too high to prevent revenue. And the laws of the land should be so amended as to encourage the common carriers to pool their managements and so

get for all the thousands of security-holders a practically level share in the profits to be made by the roads. For if the Common Rate is to be the benefit it should be to all business and all wealth producers, we will then have to get ourselves into the attitude of wanting the railroads to make good profits.

The economies in the clerical, tariff-making and freight soliciting departments, possible under the operation of the Common Rate, would be a very large item of net revenue to the railroads. And the disappearance of the constant friction with individual shippers over classification, alleged favors and other causes of protest and ill-feeling would be a great gain, financially and morally. The suspicion, dislike and frequent hatred directed against the railroads is appalling in bulk. Unreasonable these sentiments often are, but with reason or without, this condition of the public temper is a very real source of discomfort and loss to railways. Almost invariably, the bad feeling is due to either an actual or fancied injustice in freight charges—to actual or fancied discrimination. This attitude of suspicion and hostility could not exist with the Common Rate everywhere in force. An era of mutual goodwill between shippers and carriers would naturally begin. And this would be no small advantage to the railroads. Divorced from politics, as they would be—and railroads are only in politics because originally forced there in self-defense—and relieved of any fear of popular dislike or legislative disaster, the roads could and would address all their energies to the great task of getting the wealth of the nation to the markets.

I am well aware that the tremendous readjustment of values and business problems I advocate could not possibly take place without losses in some directions, and heavy losses among the speculators in land values. But I confess that I am unable to see how the holders of railroad securities, or the revenues of the roads, could be affected, even temporarily, in any other than a beneficial way. A measure which would permit the railroads to increase their gross revenues by millions, while enabling them to institute wide economies in executive and clerical work and in the operation of trains loaded to hauling capacity, and at the same time doing away with the necessity for hateful and expensive and demoralizing political alliances and warfares, seems to me to come carrying in its hands benefits so immense and so happy that they far outweigh all objections, whether well or ill taken. No man can be more fully persuaded than I am that the fair profit of the capital and labor employed in the great business of transportation is an absolute essential of national prosperity. There is not one single activity to which the brain and hand of civilized man turn themselves, no matter how enormous or how insignificant that activity may be, which is not intimately dependent for profit upon the prosperity of the carriers. It is the recognition of the basic importance of this factor in modern life, as the regulator of all values and all profits, that perhaps distinguishes this treatise from any other.



## The Common Rate and Business Panics



THE United States has lately experienced a panic, to use the expressive common term. So far as surface appearance went, it was a money panic alone, and an unnecessary panic. The crops were abundant. Seed-time and the summer had gone and the harvests had not failed. The nation was at peace, within and without. No enemy threatened her gates, and there was no murmur of domestic discontent within her walls. The captains and the privates of the allied army of Capital and Labor answered cheerfully and confidently to the reveille in all the multitudinous camps of industry. A bank failed here, a trust company there, and precisely as a few cowards have been known to stampede thousands of brave men, with arms in hand, and send them scurrying out of the battle in head-long, shameful fear and rout, so the whole array of money-owners were stampeded in a wild, ludicrous and disastrous scramble for hiding-places. Everybody ran to hoard his currency or gold—the bankers first and far in the lead. The last possible dollar was withdrawn from use and put out of sight in bank-vaults, safe deposit boxes and old cans and stockings. These were the exasperating phenomena easily seen; and so far as my reading goes, the unanimous opinion of the public prints is that it was indeed a money-panic, a mere senseless exhibition of fear, with no real excuse for occurring. This belief is wrong and arises from a lack of knowledge of the real cause of panics.

You may, indeed, succeed in frightening a nation, just as you may frighten an army. But no mere bugaboo of

fear will keep an army or a nation frightened for any length of time. The armed host that keeps on running does so because something more than mere fear is thundering at its fugitive heels, and a nation that is in business distress for months and years must look for another cause than the momentary scare of bankers and trustees. The cause of the last panic is identical with the cause of every panic. And the panic would surely have come, with all its distressing features, if bankers and trustees were lions instead of sheep.

What then, is the cause of these recurring periods of commercial disaster we call panics? These plagues of the business world return again as regularly as the physical plagues which once recurrently carried death and woe through the streets of the capital cities. The superstition and ignorance of our fathers looked upon these visitations as direct manifestations of a very choleric Divinity, and scarcely dreamed of any future escape from Omnipotent wrath, slaying its tens of thousands. The better sense of today knows that just plain dirt slew the victims. Civilization no longer cowers in dread of the pestilence. It is rid of that horror. And the one difficult achievement was to ascertain the cause. The rest was easy. So it is with these plagues of business. The first thing necessary is to ascertain the cause of them. And assuredly they have a cause. No phenomenon appearing with considerable frequency and with identical features is any creation of chance. The panic comes because at some time and in some way, during times of prosperity, we make things ready for the coming of the panic. Now, what is it that we do? What

is the cause producing all this wreck of enterprise, industry and fortunes?

This is the cause: During the prosperous years Privilege—Economic Rent, if the term pleases better—progressively takes larger and larger toll from the total wealth production of Capital and Labor, until a time comes when Capital and Labor can no longer pay the increased toll and earn profits. Then Capital and Labor cease, in a large measure and over wide regions, to employ themselves until such time as the rent toll is reduced. The interim is a season of acute panic and subsequent convalescence.

We see what happens in flush times. Speculative land values rise with great rapidity. On the outskirts of every city and town, speculators are platting additions and selling the land which cost them last week a thousand dollars an acre at a price this week of five hundred dollars for a twenty-five foot lot. Inside the city and town limits prices soar, to use an expressive bit of slang, like balloons. Everybody with cash or credit to spare, rushes to buy and boost prices in order to reap speculative gains—not real earnings. Farm lands share in the general speculative rise. Everywhere the price of land goes up beyond the reasonable, conservative limits of healthy earning power. What then? The unhealthy growth of speculative values not only attracts masses of active capital to pure idleness in the shape of non-income-bearing real estate, but it also begins to feed voraciously and disastrously upon working Capital and working Labor in the way of universally increased rent. Now, it is certain that Capital and Labor can only pay just so



large a share of the wealth created by them for the opportunity of working (which is what they do when paying rent), and when the inflated land values reach the point where they must have more toll than Capital and Labor can pay, there is a smash. There must be. Inflated rent, and with it inflated land values, must be reduced or production by Capital and Labor must cease, for these two will not work without profit, and excessive rent demands the whole profit which the three have hitherto shared. Speculative land values, to the extent to which they are speculative and not sound, tumble faster than they rose. Meantime credits have been extended all over the country on these false values. Their fall destroys confidence in securities and sends the bankers scurrying to draw in and hoard all the money which they can compel or cajole into their vaults. The panic is on.

I have purposely avoided technical exactness in this short examination, but it can be proven with mathematical exactness, and in strict conformity to all the canons of the most orthodox economic teachers, that the father and the mother of Panic is speculative land value, engaged in extortion of the product of working Capital and Labor. Now the solution which I have to offer for the fair distribution of all wealth production will put an end to this extortion by speculative land values, and consequently, if I have been hitherto right in the argument, will do away with the seasons of business distress to which our people seem to have resigned themselves with as little wisdom as did our fathers to the visitations of the pestilence. I affirm, with the utmost confidence, that the United States need not see a business

panic in a century, if its people will resolutely use the simple and effective means of the Common Rate to bit and curb the cause of all panics.

Very few business men think to the root of things. They have not the time. Much money-getting calls for the incessant use of a man's faculties, and much thinking is painful and tedious labor. Each occupation is useful, but no man can successfully engage in both. The man who has neither the training nor the time to think much, must necessarily take his opinions at second-hand. I think it is fair to say that the business men of this country do so usually obtain their opinions, and usually, also, from the newspapers and popular magazines. Unfortunately the newspapers and too many of the magazines are not much given to sound thinking. They are written almost entirely by reporters—the finest crop of reporters ever grown under any sun—alert, witty, entertaining, mostly honest. But they are first, last and all the time reporters, no matter if they be called editors, special writers, commissioners or what not. To hold the mirror up to current events, to be the exquisite reflection of the passing show, that is the achievement aimed at, and admirably accomplished. But if one were to inquire where to go in the field of popular publication that he might find independent thought and sound exposition of basic laws of social evolution, I for my part, would be at a loss to answer. This is not said in either scorn or irritation. It is a statement of facts, as I believe the facts to be. Naturally, then, the business men of the country, in the mass, are not able to fathom the reasons for such

phenomena as panics. And not knowing the reasons, and seeing the regular recurrence of the phenomena, they very generally look upon these disasters as inevitable, and come to expect their arrival with the resignation due to an act of Providence.

The psychological effect of this general assumption of helplessness in the business mind, acting through so many millions of individuals, is decidedly bad. Instinctively, though often unconsciously, the men engaged in production and commerce occupy their bases and formulate their plans of campaign with this factor always in view. It has become axiomatic with business men that for some reason we are bound to have about so many years of flush times and then so long a period of depression, and this results in a feverish haste to do the last possible dollar's worth of business while the sun shines and to run with the utmost haste at the first sign of a cloud in the sky. There is no question that this state of mind is injurious to business as a whole. An essential to the successful conduct of a nation's, as well as of an individual's business affairs, is an abiding confidence. We often hear it said, and truly, in times of depression that confidence has been destroyed. But, of course, they err who propose this loss of confidence as the cause of the depression. The lack of confidence is an effect, not a cause.

This general, uneasy, injurious fear of panics to come will not be eradicated from the business mind until panics are themselves eradicated; and panics will not be eradicated until the cause of panics is eradicated. If during the years

of good times we busily sow the wind, we assuredly will not fail to reap the whirlwind. And as I have pointed out, the wind which produces the panic whirlwinds, is speculative land value. As each business year grows better, as trade and production take hope and exert all effort, this vampire feeds fatter and fatter, until it has again succeeded in draining its victims, and drops off to wait their recuperation. A regularly recurring evidence of the truth of this proposition is furnished by the fact, evident to the dullest eye, that panics are immediately preceded always by exaggerated real estate "booms."

It should be borne in mind that I speak only of speculative land values—a sound, healthy increment of land values, provided that increment were generally diffused over the country, can produce no disaster. The increment of value arising from use of land, and not as a direct or indirect result of transportation and market favors, is one of the healthiest elements of national prosperity. With the Common Rate in force, the legitimate and widely diffused continuous increase of land values would be a blessing, since it would not be the reward of speculation, but of use. As land values are now increased, spasmodically and in favorable spots, they are a curse to Capital and Labor, a blight on all productive industry and a benefit only to the gambler.

I use this word gambler advisedly—for in its analysis speculation in land values is exactly on all-fours with speculation in stocks, race-horses, cards or roulette wheels. In ordinary transactions honest, faithful business men buy and sell and exchange for mutual profit—each one exchanging the thing he needs less for the thing he needs more. That is

the essence of fair trade and sound business. But the man who buys land to sell on a rise in a day, a week or a year, with no added improvement, simply bets with the seller on the future market. He gambles in the same way that the man gambles who goes long of United States Steel or Amalgamated Copper or wheat, oats or cotton. There is no possible element of usefulness to the community in either transaction, and the morality is neither any worse nor any better than the morality of betting that one horse will lead the rest to the wire, or that the openers in your hand will beat the other fellow's five cards.

Now, it is pretty plain that money used in real estate gambling does not produce anything, does not add an ounce to the national wealth-production. All the capital so employed is perforce withdrawn from useful production, and just by that much is the production and the consumption of wealth, and the profits of all the Capital and Labor employed in carrying production to the consumer—in short, all agriculture, mining, manufacturing and trade—injured by being deprived of the co-operation of this capital. The gambler is never a producer. He must have victims to provide the money for the game. And in this huge real estate gambling game, unlike every other gambling game, the ones who provide the winnings are not the players, but the unwilling on-lookers. Increased rent tolls, levied on all forms of industry, and increasing with every successful bet on land values, provide the winnings of the game. Legitimate business pays the stakes and is not even allowed to hold cards in the game.

## Primary Causative Power of Transportation Rates

**D**OUTBLES many who will be ready to agree that gambling in speculative land values is the cause of panics, and who can even see that a rise in speculative values faithfully means loss of profit to working Capital and Labor, will be apt to think it a far-fetched conclusion that inequality of transportation charges is at the bottom of the whole trouble. They will honestly doubt that an equalization and standardization of rates can possibly end the gambling and abolish the special privileges upon which the power of Rent to seize the goods of Capital and Labor is founded. Let us look a little further into this proposition. Let us see something more of the actual workings of this all-permeating, all-controlling force of transportation cost.

Within the last seven years [this is written in 1910] there have been built in the lower part of the Borough of Manhattan, New York, twenty-six buildings, none of which is less than two hundred feet, or eighteen stories in height, and some of which tower to an altitude of six hundred feet. These buildings contain a rental area of 5,000,000 square feet, or about 116 acres, of perhaps the most costly space in the world. Now, what has made the profitable erection of these buildings possible? What has made it practicable to rent floor space a tenth of a mile above the ground? One sole thing—the invention of the passenger and freight elevator—

vertical transportation of persons and goods. Take away this transportation service and the upper stories of these skyscrapers would be left to the bats. Is it far-fetched to class elevator service with transportation in general? Well, these up and down lines in the twenty-six buildings mentioned operate one hundred and sixteen express passenger cars and the same number of freight cars, a total of two hundred and thirty-two cars, running four thousand, five hundred miles every eight-hour day, and transporting six hundred and fifteen thousand passengers daily. It is estimated that the vertical lines in New York City alone are equipped with twelve thousand freight and nine thousand express cars, and that they transport annually two thousand million passengers. A service of that magnitude is emphatically entitled to rank high in the list of such services, and might well excite emotions of envy in the heart of many a horizontal railroad manager.

The striking feature of these up and down transportation lines is that they furnish service free to all alike. But if by common consent they were all to charge a small fare for service, that would affect the rental capacity of the building as a whole, but would have no effect at all on the comparative rent charges of floor and floor. These would rise or fall together. Suppose, however, that the up and down service were free to the tenth story and cost one cent above that. A penny is a small coin, but it would create a great disturbance in this case. Rental values of the upper floor would rapidly fall, and if the location of the building were particularly desirable, so that enough tenants must perforce do business

there, the pressure of demand for space on the lower ten floors would create a rise in their rental cost. ] Nothing can be more certain than this is exactly what would happen if the transportation service showed an inequality of charge to the amount of one small cent. That toll of one cent would alter all the relative values of the different floor-spaces, would greatly affect the ground and building values, and would touch the fortunes of every soul doing business in that building—some to gain, some to loss, some to bankruptcy. Is it not clearly reasonable to conclude that in the large world of industry outside one building, where unequal freight tariffs actually do exist, the same workings of cause and effect occur? The reader may depend upon it that they do. It is amazing that the all-powerful effect of this supreme factor in the dynamics of wealth has been completely overlooked by the students and teachers of economy and statecraft.

The power of a transportation device which permits buildings of forty stories to be erected and rented profitably on a small lot not only greatly magnifies the selling and rental value of that lot, but of all other lots favorably located for the renting of so much floor space. The up and down car service in our twenty-six buildings has then not only increased the rental value of the lots built upon, but the rental value of hundreds of lots not occupied as yet by sky-scrapers. The increase in the value of ground rent is faithfully reflected in the rise of building rent, and the increase of speculative land values. And every rise in rent exaction and speculative land values is another tax levy on working Capital and Labor. The owners of Privilege benefit, of course, and so does that



capital which has been removed from productive work and hidden away in land bought not for use but for speculation.

It is a gross injustice that non-producing capital should earn more than producing capital. This may be a gain to the individual, but it is a loss to the whole industrial community, and the community is foolish to permit it. Under modern conditions production of wealth—the necessary and good things of life—can only take place on any scale by the joint efforts of Capital and Labor, and every bit of capital removed from active production takes away an equivalent power of production from so much labor. Now, it is common sense that capital tied up in idle land, waiting a rise in selling values, produces nothing. So far as production and consumption—industry of all kinds—are concerned, that capital might as well be buried in the sea. It performs not one single useful service for the common good. And since it does get gain while thus lying idle and useless, it is apparent that it really gains by preying on useful, busy capital and labor. For it adds nothing to the common national stock of wealth, and it can only get gain from those who are adding to that stock. I would like to see any possible refutation of these conclusions. If two and two make four, then a man who does nothing and lives well is a parasite; and capital which does not work and add to the common stock of production and at the same time takes wealth from that stock is a parasite. What is that to me, or to you? Well, I work to help produce wealth; you, perhaps, add your capital to my work, so that both may better help produce wealth. You and I take the ordinary risks of life. Each after his ability,

we perform the duty of a man and a citizen. When this other idle, useless capital, lying in wait for a gambling winning, wins wealth, it takes some of the wealth your capital helped to produce and my labor helped to produce. It is a thief. And since it is everywhere getting continual gains it robs you and robs me without ceasing, and robs all business and all industry until it brings about the periodical national bankruptcy we call a panic.

Now, what tempts men to take capital from active, useful work and put it into idle land-holdings?

[The expectation that land values will rise fast, and show more gain than capital can earn at the work of production.

Does this happen?

It does.

What makes these land values rise in this way?

The pressure of population.

What causes this pressure? Is the United States so small in extent that it cannot afford room for all its people to work in?

By no means. There is land to spare. There is land enough in one single state—good land enough to support in comfort all the people of the United States.

Why, then, the pressure which exaggerates land values?

Because it is directed upon certain limited territories.

What makes these territories so much more desirable?

Easier and cheaper access to markets.

Is this access a natural advantage?

Not at all. It is an artificial advantage.

What produces this advantage artificially?

Inequality of transportation rates, which are based primarily on length of haul.

What would happen if freight rates were equalized?

The artificial advantage enjoyed by certain restricted territories would disappear. High speculative land values and rents would fall.

Why?

Because the pressure of population would disappear.

Why?

Because Capital and Labor could exert themselves with equal profit over so much vaster territory.

What would happen to the millions of dollars of capital now tied up in idle landholdings, waiting a rise in speculative land values?

Some of it would be badly hurt. The rest of it would get busy.

The underlying cause of all the varied phenomena of speculative land values, non-producing capital getting more gain than working capital at the expense of working capital and working labor, high rental costs, low interest and low wages, unemployed men and idle lands, recurrent business panics, you then say, is the sole factor of inequality in transportation cost?

I do.

But it seems such a small cause for such a tremendous effect.

Well, the scientist tells me that half a million of the bacilli of consumption can hold a caucus on the point of the lead pencil I hold in my hand, and that I cannot conceive the

smallness of one member of the colony. Still, I know that if he found a congenial lodging in my lungs that it would mean sickness and death to me, considerable money to the doctor, some to the undertaker, a few thousands loss to the insurance company, a fee to an administrator, and directly and indirectly several hundred persons, in all parts of the habitable globe, would be more or less out of pocket or in pocket because a thing that I have to buy a powerful microscope to see at all, got into a lung. It is not the size of any cause that gives it importance. It is the greatness of the effects of which it is the seed, and without which those effects could not come into bearing and fruit.

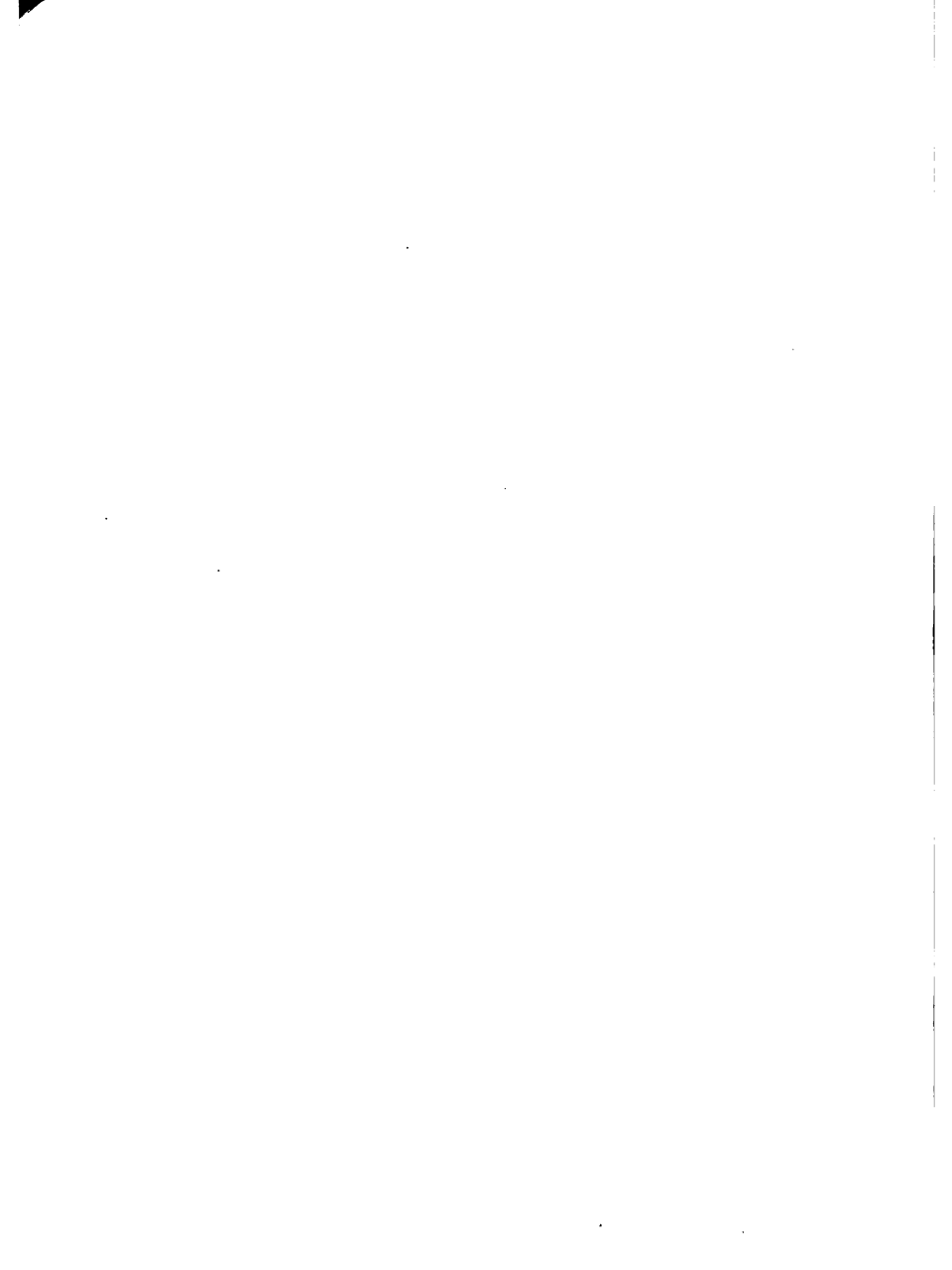
Men are prone to look upon an effect immediately causing the final effect, as the real cause, when in truth this first effect is only one in a chain reaching back to the prime cause. They are not trained in Bacon's method of affirmatives and negatives. For instance, in the case of our twenty-six buildings, one might urge that they could not have been constructed without the invention of steel-skeletons, which is true, and another might claim that such edifices would be impossible without glass, and so on through a long list, and then each one ask: Why not attribute the credit of the construction to any one of these causes? The reply, of course, is that without these things the buildings could not have been erected; but that while with them the buildings could be erected, they never would have been but for the elevator. Men erect buildings for profit, and it takes no wisdom to see that the upper thirty stories of a forty-story building would never be rented if the only way of ascending from the ground

was by stairways. There were steel and brick and glass used before men dreamed of office buildings higher than Trinity's spire. The elevator was not one of the many necessary things—it was *the one thing* that made tenancy and profit possible in lofty buildings.

It is this proneness to mistake a cause which is itself only the effect of deeper cause, for the primary cause, that gives rise to so much stupid legislation. Thus we hear it repeated that tariffs are the mother of trusts, when it is absolutely certain that if every tariff was abolished, just as many trusts would flourish and just as many new ones spring up, so long as inequalities in transportation rates exist. This sort of feeble thinking, too, is responsible for the widespread notion that protective tariffs make a country prosperous by keeping out foreign-made goods, and enabling it to ship more wealth out abroad than it ships in from abroad—a fallacy so stupid that the mere assertion of it is sufficient commentary on the intellectual caliber of the utterer. By the same wisdom, all that a city need do to outstrip all rivals is to get the railroads to refuse to transport goods to it and handle only goods it ships out. The one proposition, stripped to its final analysis, is on all-fours with the other. It is a shame to find such childish unreason as this masquerading as statesmanship. Protective tariffs—by which sweet-sounding name is meant prohibitive tariffs—are not indeed the primal cause of trust monopolies—though they lend power to such monopolies—but they are efficient agencies in maintaining those artificial inequalities of market cost which unequal freight rates breed. Unquestionably, with a system of prohibitive tariffs and with

our present system of freight rates varying with distance, the nation has continued to grow richer. And it is true that there are men able to read and write who point to this fact as a justification of both economic schemes. The same lucid reasoning was employed by the friends who implored the man with the gout not to attempt a cure, because during all the years he had suffered with this interesting complaint he had steadily grown richer.

It would be difficult for the most exuberant fancy, the most powerful imagination to picture the height of riches, power and productive capacity to which this splendid nation might now have risen, had it enjoyed since the close of the Civil War free room for the play of its enormous creative faculties, unhampered by the clogs of prohibitive tariffs and the far greater economic crimes committed against Capital and Labor by Economic Rent. With trade free to seek all its natural avenues at home and abroad, and every form of production meeting in every domestic market, far or near, on precisely even terms; with the pressure of population diffused and the natural increment of land values spread over the whole vast area of the states—had these been the conditions of forty years ago, above what a mighty, puissant, prosperous and happy people the dear Flag would now stream its triumphant folds!



## The Farmer and the Common Rate



O class of citizens would quicker perceive the benefits bound to inure to them from the adoption of the Common Rate than would the farmers. To every man occupying soil in the useful and noble work of husbandry, this act of common justice would come with its hands full of blessings. Nor am I able to see how this great class of highly deserving men could then well help rising to that plane of dignity and prosperity which the singular usefulness of their calling entitles them to occupy.

The average American farmer is a fine example of the natural, wholesome union of Capital and Labor in productive effort, for he employs his own capital and his own labor. When he owns his farm in fee simple, he also embodies in himself the function of landlord and receives himself the economic rent—that is to say, he retains the amount he would otherwise have to pay for the use of land equally as good as his own. At first glance it would seem that the farmer of his own land would therefore be little interested in a measure avowedly aimed at high rental values. But it is only necessary to think a little more to perceive that the farmer is not only a producer and seller but also, like all other honest workers, a buyer and consumer; and that, both in selling his products and buying other products in the market, his transactions are affected by the rental values of the great market centers. He more than any other producer pays toll, coming and going, to the favored city landlord. For it should never ✓



be forgotten that while the pressure of population raises rental gains to extravagant heights in certain restricted districts only, these gains are not paid entirely by the inhabitants of those districts, but by everybody, everywhere. The high rents paid by the manufacturers, commission dealers, warehouse men, and wholesale and retail merchants in the great market exchange centers, are faithfully reflected in lower prices for the farmer's product and higher prices for the things he must buy. The difference in each case must be taken by the exchange agent, be he who he will, in order to pay the high rent and retain a living profit. Single store-rooms in the city of Portland rent for more money per year than three good farms would sell for, and this rent is not all paid by the people in Portland. No, indeed; every farmer in Oregon whose beef, mutton, poultry, eggs, milk, hay, wheat, oats, fruits, berries, produce of any kind, finally reach this market, helps to pay these high rents. If he will but consider this truth until it is clear to his understanding, he will then readily see that a measure which will knock down these high speculative rental values (and the Common Rate will surely do so), is bound to make the net profits of the farm larger. And it follows, that if his net profits are larger, something of increased value will add to his land, no matter if that land be situated a thousand miles from the city. As a matter of fact the inevitable outcome of the adoption of the Common Rate must be to diffuse the land values and rental values around city centers over the whole area of the United States, including of course, farm lands. This is the desirable result, in the train of which the general good is to follow.

It need not be feared that the cost of living will necessarily increase because the profits of farmers will increase. The cost of living is now too high, altogether too high, and yet farmers are not making extravagant profits. The millions of capital anxiously looking for profitable employment are not madly rushing into agriculture. The cost of living and the comparatively high gross—not net—returns of the farmer are due to high speculative rental values which continually prey upon the producer and the consumer alike. I may be tedious in iteration of this statement, but it is a truth which must be understood by our people, before they can act intelligently to rid themselves of the evil. We may resort to every political makeshift under the sun, to high tariffs or low tariffs, income taxes, corporation taxes, railroad regulation, cheap money, "new nationalism," or what not of the hundred and one shallow, catch-penny devices of so-called statesmen, and to what use, so long as any addition to the earnings of the nation's working capital and working labor is regularly and automatically taken away by the non-producing thief—speculative land and rental values? If a burglar comes every night and robs my safe of all but just a dollar, of what earthly difference is it to me that some "statesman" shows me how I can put a few extra dollars in my safe each day? Now, this is strong language, but, my countrymen, this is exactly what is being done to you every day of every year. It is a bitter commentary on the intellectual ability of the men who offer themselves as guides and teachers of the people—our political writers, Senators, Representatives—conceding them to be honest and of good intention,—that none

of them sees this truth, lying plain to the sight as a big stone on a traveled highway. For it is the truth, and no wit of the most cunning sophistry can disprove it. It may be reviled, and men who embrace it may be subjected to all the abuse that malignity can find in its hateful vocabulary, but there it stands, serene, immovable and not to be denied.

I do not mean disrespect to rulers and those we have placed in authority over us. I was taught to pray for them when I was a child, and advancing years have made me certain that they are very proper subjects of heartfelt petitions. The simple fact is we are all too apt to be dazzled by the glitter of high place, forgetting that the places are always there to be filled, and if there are no great men on hand we must, perforce, put small ones in the seats of the mighty. An emphatic lesson of history is that all governments, monarchical or republican, are simply the expression of the average opinion of the governed. The functions of legislation are in essence limited. Statutes which are in harmony with the higher laws of political economy are never harmful. Statutes which controvert those higher laws are always mischievous. And the whole story of government for a thousand years is one of almost constant interference with the economic laws. Yet in each generation the men engaged in that mischievous and absurd work were looked upon with respect and even awe. Certainly, I am not opposed to government. But I refuse to be at all dazzled by ignorance or error, no matter in what pomp of apparel or of place they appear. We have had Presidents, for instance, who were great men—one, the greatest man in all the tides of time—honor and reverence to his

deathless name and fame!—and we have had Presidents who with difficulty attained to respectable mediocrity. The point I wish to emphasize is that those who see the truth as it is here presented, do not permit themselves to be browbeaten from its acceptance by any mere show of superior wisdom, or by the sound of great names. Think for yourselves.

It seems to me that the men to whom this chapter is specifically addressed—the farmers—ought to be peculiarly independent in thought and action. The life of the farm is not apt to impart many of the outward graces of dress and manner which the life of the city nurtures, but there is no avocation under the sun which is so well calculated to make strong, right-thinking, understanding men. I want the farmers to take this proposal of a Common Rate seriously, to talk it over in their meetings, to discuss it at the store, to think it over at home. If it spells prosperity for the millions of you men, it spells prosperity for the rest of us. Your profit is our profit, for your profit will come by binding hand and foot the robber who robs us.

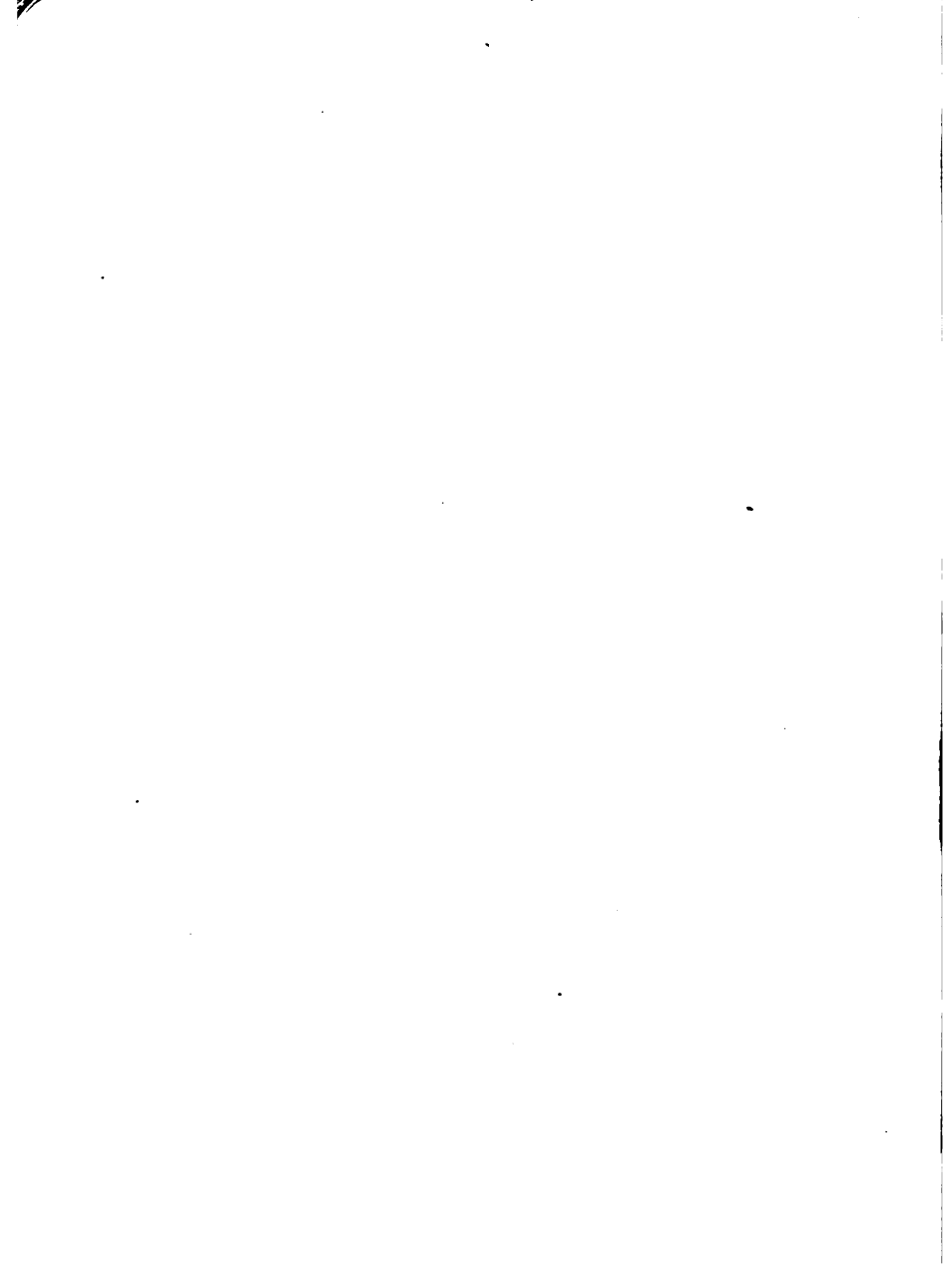
Think to yourself what it costs you to send the stuff you have to sell to market. Maybe, you haul only a few miles to the nearest railroad station, but your real, actual market is the place where your product finally lands, whether in San Francisco, Chicago, New York or Liverpool—and *you pay the freight*. You may think you do not, but you do. It comes out of the price you get from your product. Consider now what your farmer competitor pays, who lives one hundred, two hundred, a thousand miles closer to market. Consider that the tariff has built no wall about your industry

and that you compete in world markets. Then ask yourself this: Is it fair, is it justice, that I plow and sow and reap and do all the work to raise a crop that my fellow farmer does, and get less for my work? Not only that, is it fair that I pay more for my plow, for my machinery, for my family's and my own clothing, furniture, groceries, hardware and such other things than the other fellow does who gets more pay for his work? And, finally, is there any justice or reason in both of us getting less than we should for our crops and paying more than we should for our necessities, because the landlords in cities a thousand miles away raise rents with each substantial increase of population? Ponder these questions. Get hold of the truth firmly. Then hold it fast and do your duty to yourself and to your country.

My own personality is nothing—I am but one of nearly a hundred million plain citizens. I am quite certain that all wisdom did not appear at our house when I was cradled and that it will not die when I do. I am well aware that there are many men from whom I can learn much, and learn thankfully, in any department of human knowledge. And if I assume a dogmatic tone in the discussion of this proposition, it is not, I hope, due to arrogance of disposition or of thought, but to a profound conviction that I have hit upon a great and vital truth, and an earnest desire to have my countrymen see that truth. I was born in a little rural community—a farmer's village. I know the farmer's life at first hand—I know how different it is from the picture of poetical fancy—and if it is to happen to me to be first to propound an economic truth which shall eventually relieve the farmer of the

injustice which he knows he suffers from, without perceiving the thing that robs him, the few years that will fulfill the span of life for me would be filled with very great happiness and thankfulness.

You men who feed and clothe the nation ought to tire of being objects of prey for parasites. You ought to tire of sweating to pay tribute to capital which does no useful work and to the rapacity of a non-producing, idle and utterly useless class of speculators. You ought to remember that you are not only free men, but that you are the majority of free men in a free country where votes count. If you will not help yourselves, God will not. He has more deserving cases to look after.



## For the Consideration of Single Taxers



**A** BODY of citizens who should quickly and clearly understand the immense importance of the Common Rate is that intelligent, earnest, thinking class which accepts the teachings of Henry George. They will see at once that I take his theory of Rent to be the sound theory. He was a very great man, and in the fullness of time will come to his rightful high place in the estimation of mankind. But in spite of the hopes, and even the claims, of an invincible optimism, the doctrine of the Single Tax has made headway slowly in this country. I think this is due to several causes. For one thing the doctrine, carried out to its logical application of the confiscation of all private ownership in land, is opposed to the unbroken tradition and custom of civilized men; tradition and custom which had their birth so far in antiquity that history knows nothing of the date. To upset custom and tradition so venerable and so universal is a task that will require many more years. Again, an understanding of Mr. George's teaching requires an intellectual training which most men have not. To the multitude it is a hard doctrine. I remember when Judge James G. Maguire ran as the Democratic candidate for Governor of California, he was bitterly denounced on account of his well-known Single Tax views, and the chairman of the State Press Committee of the opposing party—an excellent, but extremely narrow man, with no



trace of original thinking capacity in his make-up—sent broadcast over the state the assertion that Mr. Maguire proposed to levy all the taxes on the farmers—and the foolish man actually believed his own assertion. The other candidate was a lawyer of considerable repute, and he made the same statement, and he, too, believed it! These are but two of countless examples of the utter inability of the average citizen to understand the Single Tax. Now, we live in a world through which progress must make its way with painful slowness, here an inch, and there an inch forward. For my part, I am an opportunist. A half loaf of bread looks to me much more desirable than no bread at all. The Common Rate is easier of understanding to the multitude than the Single Tax; and it will perform, in great part, the functions of that economic measure. Its adoption, I believe, would hasten the adoption of Mr. George's plan, for both strike at the same evil and address themselves to the achievement of the same end. Comrades in a common cause, they march, to the drums and fifes of the vanguard of the Army of the Common Good, against the common enemy. It is a righteous war, men and brethren, in which we are enlisted. Let us go up to the battle shoulder to shoulder, loyal and true comrades-at-arms.

I have asserted several times, and I re-assert, that there is no actual pressure of population upon our lands—nothing but an artificially created pressure brought to bear upon a very small portion of those lands by a system of unequal freight tariffs. For how can ninety millions of people bring any pressure of over-population upon a billion acres of cul-

tivable soil? There are now in actual cultivation in the United States about four hundred million acres of land. There are enclosed as farming land about four hundred millions more, not actually producing. And there are of unclassified lands, a large portion of which are cultivable under modern conditions, more than a billion acres. The average of production over the area actually farmed is ridiculously small. For instance our wheat lands average about thirteen bushels to the acre; those of France twenty bushels; those of Germany, twenty-eight bushels; those of England, thirty-one bushels. As a matter of demonstrable fact, without any other scientific knowledge than we now have, the cultivable lands of the United States are capable of supporting a population of six hundred millions; and it must not be forgotten that science is only spelling its primer lessons, and splendid as its achievements have been, they are to the triumphs to come only as a rushlight to the sun in full radiance. I have no manner of doubt that our descendants will see a billion people living in this country, in the midst of such wealth and material comforts and conveniences as we now no more dream of than did our fathers dream of steamships, railways, electric cars, lights, telephones, telegraphs, automobiles, aeroplanes, and the thousand and one other gifts of science which to us are commonplace. The agriculture of the future will be as different from the agriculture of the present as an American plow is different from the crooked stick with which the husbandman once scratched the soil in seed-time.

I think it is evident that there is not now and will not be for generations any natural pressure of population upon

the lands of the United States. And yet a pressure of population does exist and manifest itself in speculative land values, and in Rent which eats up the honest profits of Capital and Labor, and so fathers and mothers nearly all our economic ills. It is evident then, again, that this pressure must be artificially produced, and if that is so, and the cause is not natural and a part of the operation of inflexible natural law, it can be removed. What is the cause? Lack of land? But we do not lack land. No, it is, so far as this country is concerned surely, the restriction of the very profitable use of land to comparatively small districts, in which, by their very smallness, land speculation is enabled to play the same part it plays in small countries. This restriction is brought about by the manipulation of transportation costs. Not all the riches of all the trusts and speculative owners combined could maintain the high speculative selling and rental values of the city and rural acreage they actually control, if all the available acres of this vast country were brought into competition with theirs in every market on equal, level terms.

We are apt to grossly over-rate the comparative proportions of the nation's actual and potential wealth and the fortunes of very rich men. Persons will often speak of Mr. Rockefeller's or Mr. Morgan's ability to buy up the whole country. As a matter of fact, Mr. Rockefeller could not pay the hay bill of the country for a year, nor the corn bill for six months. It would bankrupt him to pay a half-year's bread bill. The barn-yard hen produces more wealth in a year than three fortunes of the size of Mr. Rockefeller's produce profits. Mr. Rockefeller's, Mr. Morgan's and Mr.

Carnegie's fortunes united would not pay the freight bill of the nation for twelve months. The entire capitalization of the Steel Trust, the Oil Trust and the Copper Trust, at market prices, would not buy the produce of the American farms for any ninety average days. In the light of these facts it is clear that no man or combination of men could maintain speculative land values for their benefit, if the whole immense area of the country could be brought into approximately equally profitable use. The necessarily more equal diffusion of tax burdens, automatically resulting from the more equal diffusion of land values, would make it unprofitable to hold large tracts out of use, in expectation of a rise in selling price, because that rise under the new conditions would be so slow, on account of being so general, that capital could earn more by being put to the work of useful production than it could, as it now does, by lying non-productive and preying on production. I can see no escape from these conclusions, and if not all his fiery enthusiasm and indomitable optimism looked forward to achieving, they are in substance and in great part the ends to which Mr. George devoted his zeal, his eloquence, his efforts and his undeniably great and original mental powers.

Therefore, I earnestly invoke the careful and deliberate consideration of the proposal of the Common Rate by those intelligent and thoughtful men and women who hold to and propagate the doctrines of Henry George. I ask them to consider the practicability of this economic proposal; the ease with which it can be understood by plain men; the fact that it shocks no ancient prejudices and comes in conflict with no

deep-rooted traditions and customs; the fact that it can be put in operation with no change in any of the governmental or social machinery with which the people are familiar; the fact that it will powerfully appeal to the farmer, the laboring masses and the smaller business men and manufacturers of the country—and considering these things and the inevitable effects upon speculative land values, I ask them if any believer in Mr. George's teachings can lend himself to more useful work than the propaganda of the Common Rate. And speaking thus, I speak as a friend in the house of friends, for as I was not among the slowest to believe in his teaching and doctrine, so I shall assuredly not allow myself, while I live, to be among the tardy ones to voice an unshaken respect for the patriotism, the devotion, the services and the genius of the great man who gave to the world the "Progress and Poverty."

## Some Quotations That Seem Pertinent



It may not have escaped notice that I indulge in few quotations from "authorities." Truly, I care little for them and consult them seldom. Let each man think for himself and Truth will find her own voice. But I intend that this shall be largely a chapter of quotations, by which I desire to show the really helpless condition the railroad men are in, the power of habit to blind men's eyes to the remedy for troubles they clearly discern, and the effects that rates based on distance have on different localities, according to the testimony of the rate-makers. I especially ask the consideration of small business men—retailers of merchandise—in the interior towns and villages to those quotations which particularly affect them. And I ask them to bear in mind that these are not my statements, but the utterances of men who confess that they see no remedy for the ills they plainly see. In one sense, these quotations lack sequence. In another they do not, for they all state evils which the Common Rate, I confidently affirm, would remedy.

First as to discriminations in freight rates, I quote from the utterances of railroad presidents:

President Calloway: "We do not do these foolish things (rate discrimination) from choice. I will say that they are just as bad and foolish and stupid as can be, but

what are we going to do about it? We have built up these big shippers and now they control us."

President Ripley: "The situation is remediless. I think it always will be."

President Hill: "Discrimination will always exist. We have to discriminate."

President Fish: "Tell me how to enforce the ten commandments and I will tell you how to stop discrimination."

President Stickney: "We do not make rates on cattle and meat products. The packers make rates."

It is noticeable that none of these railroad men defends discrimination or even desires it. The tone of each one is the tone of a man disgusted with the situation, but feeling utterly helpless to remedy it. It is these discriminations which enable big shippers to put smaller men out of business with certainty and dispatch. It will be noticed, too, that the railroad presidents admit that they make small or no profit from the business of their dictators. In fact, in the course of the very public hearing in which these statements were made, President Ripley, of the Santa Fe, one of the most powerful railroad systems in the world, declared emphatically that the Meat Packers' Trust compelled his road to haul every pound of their beef at a loss to the road, and that he was powerless to help himself. Where do the roads get the profit then, which they must have in order to continue doing business? Let us see what others say—men who can suggest no remedy, but see the facts—men not at all hostile to railroads, but anxious to put railroads in the most favorable light.

Hadley—Railroad Transportation; page 119: "The points where there is no competition are made to pay the fixed charges."

Parsons—The Heart of the Railroad Problem, page 219: "The railroads make whatever rates are necessary to get business on the through routes, and compel the rural districts to pay rates high enough to make up for the low rates on through traffic."

Senator Dolliver—In the United States Senate: "Every village and interior community in the United States has a just grievance against the railroads on account of the discriminations against them in favor of the larger cities."

Parsons—Heart of the Railroad Problem: "Thus every small town and every small shipper and farmer has to pay tribute to big centers. The effect is to build up the big cities at the expense of the country."

*Ibid*—(this in reference to the low through rates—for which the interior small shippers must make up—being permitted by the Interstate Commerce Commission on the ground that the railroads must meet water competition): "The seacoast is robbed of its water transportation and the interior pays the bill. It pays the cost of the coast transportation."

And now this choice wisdom of the august Interstate Commerce Commission:

"The men who build a city in the interior cannot expect to get as reasonable a rate as the men who build their city on the shore of the sea; but the difference should be reasonable."



I think our grandchildren will likely suspect me of having forged this exquisite bit of wisdom, worthy of Bottom or Dogberry in happiest vein, but it is all down in black and white, plain for any man to see, in the printed decisions of this admirable body of economists.

And now let me quote from an address made in March, 1905, by Federal Judge Peter S. Grosscup, a man notoriously favorable in all his rulings to great corporations of every kind—railroads as well as Standard Oil: "Any difference in rates permitted by law, even though based on the bulk of the tonnage handled (the learned judge is trying to say, any favors given to big shippers at the expense of little shippers) is a direct and effective blow by the nation itself at the principle that every man, whatever his business size, shall be given equal conditions and equal opportunity."

This, of course, is exactly what the Common Rate would insure to all men, engaged in any kind of production, whether by the employment of capital or of labor, or of both. The learned judge could not have more clearly defined the scope, action and righteousness of the Common Rate if he had known all, instead of nothing, about it. And now in this connection another bit of economic wisdom from the Interstate Commerce Commission, which is like the peace of God, in that it passeth all understanding. Several railroads had joined in making a common flat rate on milk shipped in cans, regardless of distance, and the milk shippers nearest to market, being deprived of a most profitable advantage, protested. The case is known as the Essex Milk Pro-

ducers' Association versus Railroads, and this is the finding handed down by the Interstate Commerce Commission:

"A blanket rate on milk on all lines of the Delaware & Lackawanna road, New Haven road, Reading, Erie, New York Central and West Shore and other roads, regardless of distance, viz.: 32 cents on milk and 50 cents on cream per can of 40 quarts, *is unjust to producers and shippers of the nearer points.* There should be at least four divisions of stations—the first extending forty miles from the terminal city; the second covering a distance of sixty miles and ending one hundred miles from such terminal; the third covering the next ninety miles; and the fourth covering stations more than 190 miles from the terminal." (The italics are mine).

The Commission then proceeded to fix a scale of rates so graduated that the freight cost of forty quarts of milk would be three cents higher in each district than in the district immediately next nearer to the terminal market. With the decisions and law findings of the Interstate Commerce Commission, of course, this work has nothing to do, but the assumed economic bases of its remarkable conclusions are fair game—though this is a merry term to be applied to such painful exhibitions of mental obtuseness. For, in the great name of common sense, what possible "injustice" could be done to one body of dairymen by the roads hauling other dairymen's milk to the same market for the same charge? I confess that I, for my part, am utterly at a loss to compass, even in imagination, the processes of any human reasoning that lead from such a premise of plain, ordinary, everyday justice and square-dealing to such a fearfully and wonder-

fully fantastic conclusion. Here are the railroads leading into the great market of the country attempting to give every man in the dairy business, anywhere on their lines, a fair and level opportunity with every other dairyman to set his milk down in the market place at exactly the same cost—giving him, again to quote Judge Grosscup, “whatever his business size, equal conditions and equal opportunities”—and the Court of Last Resort in transportation matters finds that this is an injustice. Why it is enough to make common sense throw a fit. And it is precisely the country-wide application of this absurd, illogical—I was about to say, abominable—economic injustice to all freight transactions that makes you, Mr. Farmer, Mr. Small Merchant, Mr. Little Shipper, Mr. Busy Capital and Mr. Working Labor, get up early and sweat through a long day for the profit of the “producers and shippers of the nearer points”—to quote the Honorable Commission.

And here a pertinent quotation from a matter-of-fact statistical work, Noyes' American Railroad Rates: “The statistics show that while freight rates on an average, fell about 50 per cent in 30 years, *local* rates have, on Eastern roads, not fallen off; and on Western roads, where they were much higher, about 10 per cent.”

Which is to say, that the small towns and rural districts must pay high freights in order to build up the big city, enjoying low rates—thus creating gigantic speculative land values that make a few square inches of city land worth more than an acre of a fertile farm.

And now some instances, which are but epitomized

quotations from historical and statistical works of recognized standing, to show the far-reaching effects of a freight rate to the disadvantage of one point and the benefit of another.

The soil and climate of Italy are well adapted to the cultivation of Indian corn. At one time, says D. A. Wells, Indian corn was extensively grown in Italy, but about 1880 the corn grown on the then cheap lands of the Mississippi Valley obtained transportation rates which enabled it to be sold in the Italian markets cheaper than corn could be brought to those markets from Lombardy and Venetia, where wages were but one-third American farm wages. This condition resulted in the emigration, in the year 1885 alone, of 77,000 Italian laborers to the United States. Note that this was the pressure of population being diffused by action of a freight rate favoring a larger territory.

According to a United States Consular Report in 1886, the speculative selling and rental value of land in Germany had fallen to one-half the values of 1871, because cheaper freight rates were enabling the wheat-growers of the United States, Canada and Argentine Republic, to land wheat in Germany cheaper than it could be grown there on lands demanding the former high rents. Here we have the factor of a few cents in the bushel, difference in a freight rate on one single commodity, destroying in a dozen years half the rental value of an empire—with most beneficial results to Germany, as can easily be seen by anyone who reads her history since that period with seeing eyes.

The opening of the Suez Canal, as is well-known, had almost revolutionary effects upon the trade and commerce

and agriculture of Europe. A curious isolated effect shows the extraordinary power of a freight rate to lower rent values and diffuse pressure of population. Previous to that great event, rice culture flourished on the Italian peninsula, and rice lands brought the owners large income from their tenants. But with the cheaper canal transportation, Indian rice came into European markets. The Italian rice lands could no longer earn any profit for the capital and labor employed in cultivating them and pay the high rents. Two results rapidly occurred—a lowering of rent and an emigration of laborers to less crowded lands in America.

Such instances could be multiplied into a thousand volumes, to prove by historical facts the dominant power of transportation rates to make and unmake all speculative land values. A powerful illustration, on a gigantic scale, is at hand for anyone who will consider the relative status of speculative land values in our own country and in Manchuria.

Manchuria possesses a temperate climate, a soil of great richness, a favorable strategic location among world markets, an immense wealth of precious and useful minerals. Her wheat lands yield nearly twice the average yield of Dakota lands, and it is estimated that all these lands could produce annually five hundred million bushels of wheat. There is nothing wanting in Manchuria to make it as wealth-productive as the richest territory under our own flag, except—what? Population? Capital? Labor? No. Transportation—railroads. Population, employing capital and labor upon the rich land opportunities is of course necessary, but population will not come to do this thing until transportation first

comes. And here let me remark that it is the peculiar distinction of our great American railroad construction chiefs that they first saw this truth and acted upon it. Until the advent of such truly great men as Henry Villard and James J. Hill, upon the stage of world activities, transportation facilities had crawled in the slow wake of population, rudely and painfully diffusing itself along lines of natural communication—rivers, lakes and stretches of level country affording passage to the wagons and ox-carts. With that large imagination which is the hall-mark of constructive genius, these men put transportation where it belonged—in the van of population. They built railroads across thousands of miles of uninhabited lands, ending at seaport villages. The result is history, splendid history—the most splendid history man has ever made. Now, when another Villard or another Hill shall do for Manchuria what has been done for Western America, the same results will follow—a rapid increase of agricultural population, a rapid rise in selling and rental values of farm lands; a concentration and congestion of population at the market points most favored by freight rates; an accelerated and enormous rise in selling and rental values of land at these points, and the whole phenomena of the earlier high profits of capital and labor being gradually absorbed by speculative land values and rent. And all this towering edifice will rest on the one sole foundation stone of inequalities in freight transportation rates. If there is any possible escape from this conclusion, I would be humbly glad to be enlightened upon the subject. For I can see none, nor do I believe there is any.



## The Power of a Rate Illustrated



AN illustration, on a very large scale, indeed, of the power of transportation rates to affect, for good or for ill, the lives and fortunes of an entire people is found in the recent history of the Kingdom of Spain. The annals of that brave and capable people for three hundred years have been one long tragedy—a tragedy which no good man can contemplate without pity and compassion. The victims of a heartless, greedy and stupid tyranny, both political and ecclesiastical, generation after generation of Spaniards have been born and lived and died in mediaeval conditions unknown to any of those European States over which once the valor and capacity of Spain's soldiers, seamen, scholars and traders spread the terror and renown of her formidable name. For centuries, under the incubus of superstition and misgovernment, the people of the Iberian Peninsula have been sunk in sloth, in poverty and in an almost incredible ignorance of the progress of mankind. At the close of the Nineteenth Century, the Spaniard was still the Spaniard of the days of Philip and Elizabeth. The husbandman still furrowed the earth with an implement little different from that used by the Moors. The transportation lines and equipments of a great part of the kingdom were still the bridle-paths and the mule trains. Still the royal tax-collectors levied impost on every conceivable product of industry, and still a horde of cowed monks and friars swarmed in the land



and exercised the authority of the Middle Ages. Spain was a gigantic and mournful anachronism.

Twelve years ago, either an accident or a crime in the harbor of Havana, brought this ancient and decrepit kingdom face to face, in the arena of war, with the United States. It was a pitiable spectacle—much such a spectacle as would be furnished, could we see some suddenly resurrected knight of old, in armor clad, riding full tilt at a battery of rapid-fire gatlings. There could be but one result, and the guns of Dewey and Sampson spoke only a foregone verdict of victory. The conclusion of the war saw Spain stripped of her colonies, without a fleet, with a bankrupt treasury and a sullen and disheartened people. The day the treaty of peace was signed, the best of the Spanish bond issues sold on the bourses and exchanges for 49 cents.

Ten years from that day the same bonds sold for 90 cents; the foreign trade of Spain had increased twenty per cent; the mines of Spain, long renowned for their potential wealth, were being worked with feverish activity; great stretches of idle land were being brought under cultivation; the vineyards and olive groves were being extended, and an exhibition of a new spirit, totally unknown to that country, of hopefulness and energy was everywhere so much in evidence as to excite the comment of all intelligent travelers.

What brought about this happy and beneficent change? What Jin rubbed the rusty lamp of Spain's long-forgotten luck and enterprise?

Now, mark. Out of the annual revenues of \$216,000,000—an enormous sum to be raised among a people so poor—

the government by some unusual and happy visitation of common sense, set aside a subvention for lines of steamers. This, of course, was giving the Spanish exporter and importer an advantage in transportation rates across seas over those peoples served by unsubsidized lines. In ten years, Spain had built up an importing and exporting trade with the Argentine Republic of \$18,000,000 annually; with Uruguay, of \$13,000,000; with Paraguay, of \$3,000,000; with Mexico, of \$6,000,000; and in spite of the total loss of an annual exporting and importing trade with Cuba and the Philippines, amounting to \$70,000,000, had actually gained in the total amount of her annual over-seas business the great sum of \$30,000,000. A bit of sensible legislation, in the midst of incredible government stupidity, gave Spain a transportation advantage over rivals for the trade of the thinly settled Latin American countries, and with the waving of this magician's wand, her people rose from the exhaustion of defeat in war and the handicaps and miseries of clerical and aristocratic tyranny, and took on such energy and such prosperity as neither they nor their fathers had known in three hundred years of national life. If Spain can retain this advantage for her ships and traders, her industrial and moral regeneration is as certain as the rising of the sun.

I challenge any man to lay finger on one single other cause of this new birth of energy and hope in Spain. I affirm that all the people of Spain have won for themselves in ten active and happy years, from the increase of the fortunes of the more opulent to the additional coppers in the muleteers' pockets, is directly due to the dominating and fructifying

power of a freight advantage indirectly obtained within these ten years by a single wise act of legislation. The people of Spain are hard taxed and still very poor, but the money taken from their earnings to buy the freight advantage, is money well spent.

I do not intend to be dragged into any controversy over protective tariffs and ship subsidies—though protective tariffs seem to me the maddest freak of human unreason ever exhibited for the amusement of the laughing Gods. But with this example provided by Spain in mind, I cannot refrain from saying that if we were to lay out in the purchase of ocean transportation advantages one-tenth of the two thousand millions of dollars which we annually pay to the beneficiaries of prohibitive tariffs, the increase in our world's trade would go far to make up the gigantic loss incurred by our submission to this other economic robbery. In paying a ship subsidy, we get on a national scale the rebate advantage, by the unscrupulous use of which so many colossal private fortunes have been piled up. We buy openly and with no wrong, a freight cost advantage, and anyone who has done me the compliment to follow my argument thus far will see that any nation using this advantage to the limit of its resistless power, will leave its trade rivals behind in the race for supremacy. If this nation were deliberately to take, annually, from its treasury enough millions to permit our own vessels to carry ocean freight cheaper than the vessels of any other nation, the American flag would fly thick in every port of call in the world; and if the choking hand of the protective tariff were forced from the throat of commerce, American

trade would dominate the world. For no wit of man can devise any successful defense against the irresistible might of the most favorable transportation charge.

I think that the Japanese are the least sentimental and the most logical and acute people on earth. They are using this powerful weapon of freight cost advantage, bought outright with subsidies, to conquer the commerce of the Pacific, and their victory is being won as rapidly and completely as were their astounding military triumphs over the armies and fleets of Russia. If we do not soon awake to some sense of the dominance in all human affairs of this Law of Favorable Rate, Japan will have us on the hip. She is playing with us for a far more gigantic stake than she wagered with Russia, and she is playing with her eyes open and we with our eyes shut. The few millions with which she buys her freight advantage would not have paid a month's cost of her great war—perhaps not a week's cost—and the triumph she will achieve, if our stupid folly persists, will be such commercial dominion and empire as not even Napoleon proposed to achieve.

It may be said that this has little to do with the Common Rate. I reply that it has every thing to do with such an argument. For the Common Rate is advocated to destroy freight favors at home, because they build up the fortunes of the favored ones in spite of any and all resistance; and the favorable rate is advocated abroad, because it will, just as certainly, build up the fortunes of a nation as of an individual; and while at home I am for favors to none and

fair opportunity to all, in the great commercial war of the nations I am for my own people and my own flag.

We are potentially the richest and most powerful people ever grouped together in all the tides of time. Skill, energy, raw material, exquisite machinery, executive force, a working class of unexampled intelligence and initiative, courage, optimism—nothing of the elements of might and dominion are wanting. And yet, when the trumpets are calling the nations to the bloodless war for trade dominion, we run to hide behind walls of protective tariffs, skulk like cowards who hang on the rear of battle to rob the helpless. Our battleships fare forth with all the courage and blithe dare-deviltry of our race, and no man dreams that they will turn from fight. But our commercial fleets hide in domestic ports, and sneak but occasionally into the harbors where goes in and out the world's trade.

My hope and faith in the operation of the Common Rate is that by the very exuberance and pressure of the trade prosperity it would create at home, we would be forced to throw down the senseless bars we have put up between ourselves and the world and take our victorious place in the van of the nations. Statesmanship that takes the thousand-year-old tactics of China as its model of wisdom is a thing which I believe five years of the Common Rate would knock on its stupid head.

We taught Spain a useful, though painful lesson. It is not incredible that we may learn a profitable lesson in turn from one of her gallant and successful efforts to redeem her fortunes during the past decade.

## The Common Rate Would Standardize Prices



THINK it needs no argument that the Common Rate would standardize the selling prices of all commodities and goods everywhere. That must be evident at a glance to anyone. With every seller of wool and cotton and silk and thread and buttons and needles and sewing machines meeting every other seller and buyer of these things in any and all markets on level terms, it is as certain as anything can be that the buying and selling price of any grade of clothing will be the same everywhere. So with foods. So with everything men buy and sell. Prices would find their level as automatically as does water. I take it that there will be no denial of this proposition.

Now it seems to me that with prices thus brought to a fixed level, all business would enjoy a feeling of security of capital invested, and permanence and certainty of profit, that it never has had and cannot now possibly have. A business failure under such circumstances could hardly occur, were the most common prudence used. And even a bankrupt's stock of goods would lose little of its value as a security for the creditors. For it would certainly find a market somewhere at the prevailing price level, minus, perhaps, one additional freight charge assessed at the Common Rate.

The element of chance in business success today is the luck or ill-luck in guessing at future fluctuations in prices. Essentially this is as much a gambling element as is the guess

at the winning throw of the dice or the lucky number in a lottery. A good guess, when buying, makes the merchant a winner; a bad guess makes him a loser. And this gamble is forced upon him willy-nilly. He has no option. He must take the chances of the future market price every day, or go out of business. Now, any element of gambling chance in business is a bad element, because whoever takes gambling chances of any kind must have a losing streak occasionally, and may have too many for his safety. True, in the long run, business men can usually balance losses by greater gains, but the uncertainty is always there, and to provide against it a general slightly higher selling price is asked than would be if all losses and all profits could be accurately forecast.

Again, the losses and gains in the fluctuations of prices—good times and bad times—are not sustained equally by all parties to the transaction. Rent, which takes so large a portion of the wealth exchanged in business, shares in all the gains and stands none of the losses. It is the first thing to go up when business begins to show good earning power, and it never comes down when business shows loss, unless forced to do so by widespread virtual bankruptcy of all business—that is, in times of severe panic depression. And then it lowers its toll as reluctantly and slowly as it possibly can. While the victim has a drop of blood left, the vampire clings to him. Now, when a man sits in a gambling game, with the understanding that he provides the stakes, and pays all losses himself, and divides all winnings with an onlooker, he can tell very easily before he begins to play, how he will come out at the end. These are homely illustrations, but I think

they will make my point clear. *Fluctuations in buying and selling prices hurt Capital and Labor engaged in producing and trading, and benefit Rent.* That can be accurately demonstrated theoretically; and in actual business life every man engaged in buying anything except land values, knows from experience that it is true.

Again, fluctuations of prices, which cannot be accurately forecast, shorten credits and so curtail business power. Evidently, less credit can be extended on the security of a stock, the future market value of which is uncertain, than on a stock which has a permanent level value. Whenever there is a margin point of possible speculative loss of value, the creditor always assumes it to be the lowest possible, and bases the amount of credit he will extend on the assumption. But with prices standardized and on permanent levels, the marginal credit point would naturally be near the standard level of values. The business man could thus at all times know his capacity to obtain credit, and this assurance would enable him, with confidence, to extend his lines to his full capacity and do more business and earn more profit than he now can. For no business man need be told that credit is capital and that an enlargement of credit is equivalent to an enlargement of his buying cash on hand. This enlargement of credit among millions of men doing business everywhere in the United States would add enormously to the working capital of the nation, thus enabling the employment of a corresponding amount of labor, and the creation of a fresh consuming power to use up the new and old wealth. In plain American, business would be better and better. Of



course, there are elements of business success which cannot be bought or sold or brought under rule. They go with the personal equation. Sagacity, kindliness, executive force, appreciation of public tastes—all these things are powerful factors and all are part of the man. I do not claim that a standardization of prices would make all business men equally successful or prevent all failures. God, not freight rates, makes men. But I do claim that such a standardization would present equal opportunities to all—and no man can ask, or ought to ask more than that. A square deal all around, and may the best man win—that is the manly American sentiment.

Putting buying and selling prices on permanent levels would be another form in which the Common Rate would pare the claws of Rent. Experience shows us that no matter how violently prices fluctuate, they invariably tend to settle on slightly higher levels. Deep down at the root of things, this is because, as I have pointed out, Rent takes the winnings of a rise and refuses to pay the losses of a fall in prices. As a matter of common experience, the prices of all the necessities of life have risen at least fifty per cent in a few years. This has been accomplished by a series of gradual rises to higher levels, accompanying price fluctuations. Now, I ask the merchant if he is making fifty per cent more profit on sales of these necessities, and of course he says he is not—and he says the truth. I ask the farmer if he is making fifty per cent more profit, and he says he is not. The manufacturer says the same thing. They all speak the truth. Yet the consumer is paying fifty per cent more.

Where does the excess cost go? In whose fingers does it stick? It goes to Rent, speculative land values—the idle capital in that sure-thing game—it gets it all. During the last few years the selling price of a lot in your city has likely doubled several times. You can point out property which has risen in value from \$100 to \$1,000, possibly \$5,000 a foot. You could have leased that lot ten years ago for \$200 a year. Now a lease would cost you \$10,000 a year. *There is where the extra cost of everybody's living has gone.* The little capital originally buried in that lot has never worked an hour since. It has not added a cent's work to the total stock of production. It has not helped consume, has not bought, sold or employed labor or exercised one single useful function of any kind; and yet it has earned more money than your equal capital and all your labor honestly and usefully employed during those years. Do you see now who gets the profits of continually increasing cost of living? Do you see what Rent does to Capital and Labor? Well, when the Common Rate knocks these speculative land values on the head and Rent ceases its mischievous robbery, the cost of living will rapidly fall; the prices of all necessities will be much lower, and yet the producer and the trader will have more net profit for the work of their capital and labor. The business man's and the farmer's and the manufacturer's gross gains will be decreased, but their net gains will be increased. And when the Common Rate has thus reduced Rent extortion and reduced prices of products to common levels, those levels will strongly tend to be permanent over long periods.

I appeal to any thinking business man, engaged in useful, honorable, productive trade—in which class land speculators do *not* belong—to say if the lowering of Rent robbery, the safety and security of business, the increase of credit, and the increase of profit would not result in general prosperity to the whole nation, and in long continued prosperity, undisturbed by the terror and ruin of recurrent panics.

This is the good the Common Rate has to offer you men, and it lies in your own choice whether to accept it or to reject it.

## A Personal Talk to Business Men



THE risk of being tedious, I want to drive this question of rent tribute a little deeper into the minds of you business men. To tell the truth, you are the class hardest to teach political sense. I dislike to say so, but it is the truth. The farmers and mechanics are much better posted. They read books and publications dealing with economic laws and talk these things over among themselves in private and public gatherings, while the extent of your reading is usually the pages of a popular magazine and the news columns of the daily papers—an immense amount of amusing chaff. You take your political and economic opinions at second-hand from men who are very unfit to deal intelligently with such topics. This is not flattering to you, but it happens to be the fact. And yet, from your very position in society and the extent of your acquaintance and activities, you exercise a tremendous influence on the social fortunes of the nation. Your lack of even rudimental economic knowledge is not due to any lack of intellect or natural parts. Those you have in abundance, but you apply them, and all your time, to the daily problem of profit and loss, and so narrow your field of information. You are perfectly bully in your way—but your way is not broad. It nearly always runs straight from bed to Dollartown and back to bed. I fear you may resent this plain speech, because I know you think you are shrewder

and wiser than you are. If you were wise and shrewd you would not be straining your credit and employing all your capital and working long days for the profit of another lot of chaps who do nothing. And that is exactly what you are doing by the hundreds of thousands. You are working for the gambler, the land speculator, the fellow who collects ground rents.

It may be not amiss to say that here and elsewhere, when using the term Rent, I mean always and strictly ground rent. The part of the rent you pay which is collected by the building you are in, is a perfectly fair and legitimate wage of the useful Capital and Labor which put the building there. This portion of the rent remains stationary. The portion of the rent you pay to the ground the building stands on, in just so far as it has risen above its first value, is the portion you pay to idle capital and speculation. This is the rent which is always rising, with every fresh exertion on your part. This is the thing that gets your profit.

Let me give you an illustration of the workings of idle capital and ground rent drawn from every day real life. Not long ago a lot was bought by a man I know for the sum of one hundred thousand dollars. He bought the lot of a man who paid five hundred dollars for it twenty years before. The lot during all that time laid unimproved. The new owner expended two hundred thousand dollars in erecting a building to be let to business men. Quite an ordinary, usual transaction, you see.

Now in the first place, in considering this transaction, we see at once that there was a profit in the hand of the

first lot owner of \$95,500, less the tax he paid during occupancy. Twenty years before he had buried five hundred dollars in that lot—buried it just as certainly as if he had tied it in a sack and hid it in the ground. It was just so much capital withdrawn from useful work. During all those twenty years, in his capacity as lot owner he had not done one single thing to help improve his city, had neither bought nor traded nor employed labor or other capital. It so happened that the buyer, to get the purchase money in hand, sold industrial securities in the sum of \$100,000, which had netted for a long period about 5 per cent. He had actively employed a capital of \$100,000 for twenty years in useful, generally beneficial work, assisting labor to create wealth—the honorable enterprise of a good citizen. The total earnings of his \$100,000 capital for twenty years were taken by that little \$500 buried for twenty years in the unimproved lot—an idle parasite. That is perfectly clear, is it not? Well, that's when speculative land value began to rob industry.

And now comes in the business man's punishment. Of course, when the new owner had expended \$200,000 in building, and handed over \$100,000 to the successful real estate gambler, he had an investment, perfectly legitimate so far as he was concerned, of \$300,000, on which he must have profit. Assuming a gross rental of \$30,000, the business men renting stores and offices in that building must pay \$10,000 annually, or 33 1-3 per cent of the total rent, as *ground* rent. They are paying back to the new owner the \$100,000 which he was compelled to hand over to the idle and useless land

gambler. The rent of every man in the building is one-third higher on that account. That is clear, isn't it?

Now, mark again. The erection of that building stimulates business in the locality. Other men desire to erect buildings and there is a more imperative demand for land to build upon. Naturally, land prices are quick to rise in the neighborhood. With all this stimulus, an adjoining lot in five years sells for \$200,000. What occurs? The owner of the \$300,000 lot and building now values it at \$400,000, and he every naturally proceeds to raise his tenants' rents until he has a gross return of \$40,000 annually. Fifty per cent of the rent, the business men in the building pay, is now paid as *ground* rent. The actual building rent remains stationary. The constant rise in business rents is due solely to the constant rise in ground rents—and with every fresh exertion of capital and labor he makes, *the business man helps to raise his own rent*—by raising the speculative value of land. Now, was I wrong in saying that you are not nearly the shrewd, wise men you think you are?

The only way the business man can keep even with the gambler in land values is to become to some extent a gambler in land values himself, and thus the capital he would use in useful wealth-production is depleted to the damage of the whole nation.

Now, then, it is *ground* rent which constantly rises and so takes the profits of industry. This ability of ground rent to increase its demands is due to the pressure of population on certain spots—to the forced desire of too many men to occupy too little ground. And this pressure of population

arises from the concentration of a marginal excess of population at those certain spots by the compelling power of transportation rate advantage.

Speculative land values are not excessively high because a city happens to be large, but because it always has just an excess of population. It is the margin, just as in business, one man's anxiety to reduce a surplus stock by price-cutting, brings down everybody else's prices till the surplus is sold. All values of all kinds fluctuate in accordance with this marginal law.

Do not be deceived into the belief that the only tribute you pay to ground rent is the sum you hand over monthly to the landlord's agent. If that were all you could take care of it. But ground rent gets at your profits in a hundred ways—in increase of goods cost, in increased maintenance cost, in decrease of customers' buying power. I will tell you how to measure your individual forced tribute to ground rent with considerable accuracy. Set down how much stock you could buy for ten thousand dollars five years ago. Then set down how much you could buy of that stock for ten thousand dollars at present prices. The difference between the buying power of the money then and the buying power of the money now will be the amount you have paid, in one way or another to ground rent, on every ten thousand dollars of your capital in trade. And this will be *exclusive* of what you have actually paid in monthly cash rent to your landlord. That difference represents the amount ground rent has taken from you indirectly. Of course, you have got a great part of this back by constantly raising the price of your goods,



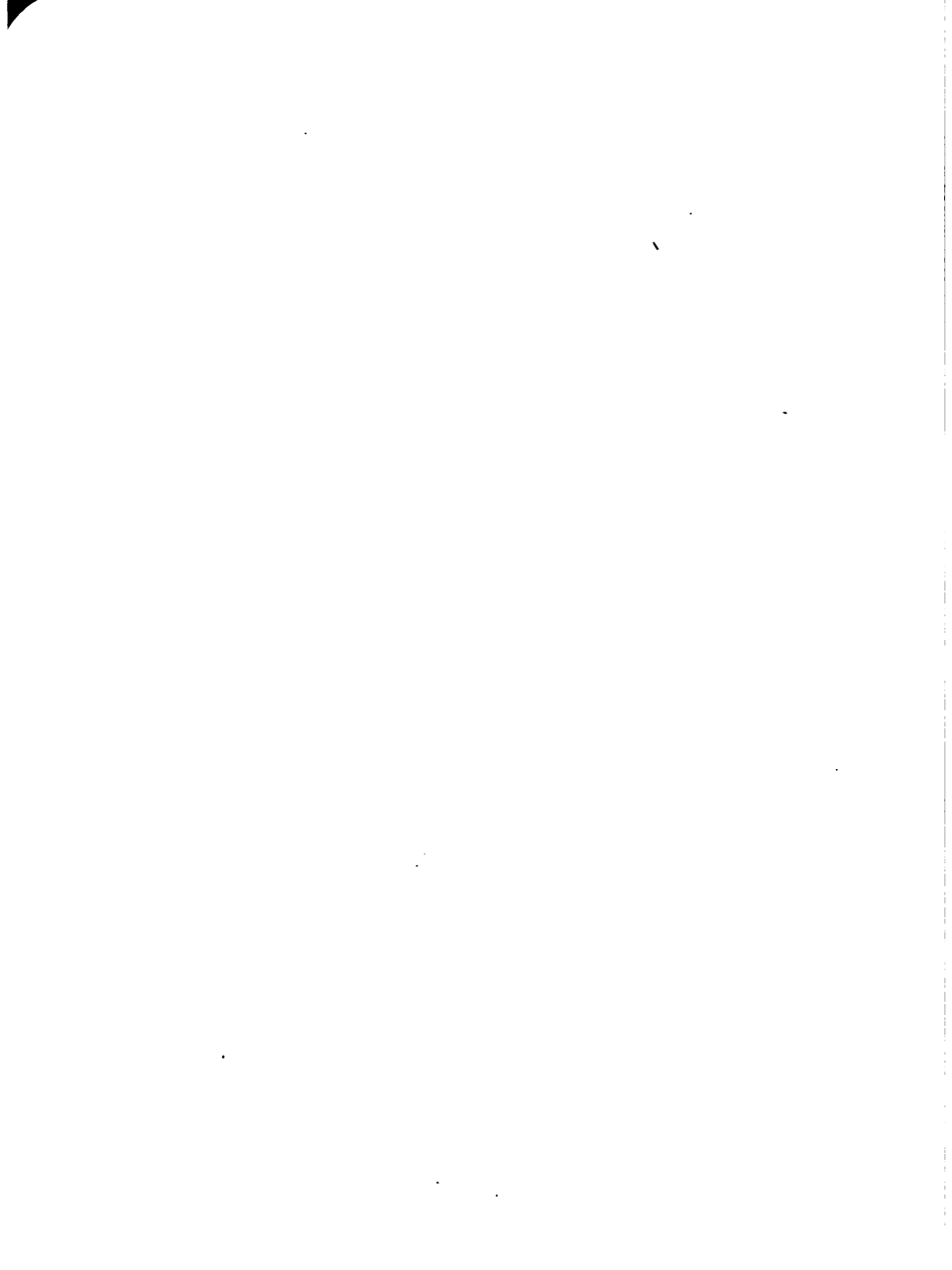
but you had to pay part, and your customers had to pay the rest—you getting less net profit and they getting less goods for their money. Your customers have to help you pay your ground rent tax, and you have to help pay the ground rent tax of every one you buy from or trade with, wholesalers, jobbers, transportation companies, manufacturers, fellow-retailers, butchers, bakers, doctors and lawyers—ground rent gets you at every turn. Now, you must see that is so, if you have the mental capacity to reason quite simply. The question up to you for an answer, business men, is, do you want this state of things to continue? Do you want to keep on paying this tribute in increasing amount as long as you live, and your children after you?

You can put an end to this theft of your profits, to this robbery of your industry. The measure of the thief's power to rob is the speculative value put on his land by a marginal excess of population at certain points, which, in turn, is placed at those points by the law of favorable rates, and which would be automatically dispersed and diffused by the Common Rate.

Do you ask if the adoption of the Common Rate would not create a great disturbance in business values, bringing about loss to many merchants? For a short time, yes. But it would bring compensating gains with it. And if it did not, is it not better to suffer one spasm of depression and loss than to lose day and night, with no hope of relief, until the regular panic comes around to ruin all business? Would you not rather undergo a short, painful operation, than to

carry about with you a cancer eating away your life every hour?

You business men ought to be ashamed, intelligent as you naturally are, to be so ignorant of economic laws as you are, to know so little as you do. I am not talking to you on sentimental grounds. I make no appeal to your public spirit, your charity, your patriotism. I'm talking the prosaic language of dollars and cents. I am trying to enlist your attention to what is happening to your cash registers and bank balances. Surely that topic ought to be worth some mental exertion on your part. It does seem almost hopeless to talk to men who complacently agree to being robbed by such monstrous absurdities as protective tariffs, for instance. But I know you have sense enough to see things right if you will only take the trouble to use your eyes in looking around you.



## The Wage-Workers' Stake in the Common Rate



ALL that I have said in this argument for the Common Rate must appeal to the common sense of you men and women who sell your labor for wages. Upon your shoulders falls the ultimate heaviest burden of the ground rent toll. In proportion to your incomes, you are by far the largest consumers of market stuffs. And every time your slender purses are opened, ground rent takes a penny here and a nickel there, and strips you of the net profit of your wage. You must be allowed to subsist, that you may be strong to work well, and it is only at this subsistence limit that ground rent robbery ceases.

The half-baked economists of the cracker box and street corner stand tell you that Capital robs you of your wages. This is the talk of a fool who cannot distinguish the difference between Capital and Privilege. Capital is robbed just as fast as you are, and the worst that can be said for it is that it tries to, and sometimes does, shift the greatest activity of the common burglar in your direction. But the common burglar always comes back and gets at Capital's profits, too.

Ground rent does not cut the amount of your wages down. That would be too coarse a method for such an accomplished thief. It simply increases the cost of everything you buy. Your wages is the part of the joint product which you get in the division of product between Labor and Capital, and as ground rent pays not a cent of this, and means to rob both producers, it cares not at all whether you

get high wages or not. Whether Capital takes the lion's share or Labor gets it, makes no difference to the thief who can, and will steal from both impartially.

Let me tell you where your wages go, and what makes the rent of your poor rooms higher and the cost of coal, flour, clothes and all necessities higher and higher every year. You ask the boss at the factory or the store or the office where you work, how much more the land the building stands on is worth this year than it was one, two, or five years ago. Subtract the former value from the present and you will see just where your wages go. The *land* has produced nothing— not even a potato—yet the *owner* has reaped thousands of dollars from it. Somebody had to earn those dollars and pay them to him. In this case, your name is Somebody. You and your fellows all belong to the Somebody family. Can you see this? It's as plain as a pikestaff, if you look steadily. The more your wages, reckoned in money, the more ground rent you pay. For you naturally increase your wants and your purchases as you have more to spend, and every purchase pays toll to ground rent. It is everywhere and always busy. It takes toll out of the baby's milk-bottle and out of the cost of the grandfather's coffin. It robs the cradle, the home, and the grave with an impartial and unerring hand.

Now if you wage workers would vote in the Common Rate you would vote away the power of this thief of labor's wage. The wages you get would buy you more necessities and more comforts and they would rise in amount. The enormous wealth you now make and turn over to land

speculators would remain in your own hands to use or exchange. With every tumble in the extravagant values of city lots, your chance to buy a lot and a home would come nearer and just that much money would stick in your possession to be applied to the purchase.

Men and women, fellow-workers, I speak to you the words of soberness and truth. The apparently simple thing I propose to you will bring you a thousand fold more than all your organizations can possibly bring you—and your organizations have done much—very much for you. But the utmost your organizations can do is to force a fair division between you and Capital. They cannot lay a straw in the way of ground rent, coming to rob you after the division between you and Capital has been made.

I am not going to talk to you the common street patter about hunger, nakedness and want, because I am talking to American workingmen and workingwomen and very few of them are either hungry, naked or wretched. On the contrary, I know of no more inspiring sight than to rise of a morning and see the great army of labor marching through the streets to the day's work, battalion after battalion of fine, hearty, intelligent fellows, regiment after regiment of women and girls, well-dressed, well-fed, hundreds upon hundreds of them bright enough and sensible enough to fill any position in life, from the White House to the glove-counter. It is just because our workingwomen and workingmen are such a superior class that they should have and should insist on having all that their highly skilled and intelligent, efficient labor adds to the common wealth. Better

clothes, better furniture, more books, theaters, balls, enjoyments and luxuries—these are their just rights. I do not appeal to them to ask for bread. I want them to have cake, and plenty of it.

My ideal of an American workingman and working-woman is not the type of the thrifty French peasant, setting aside today's soup-meat for tomorrow's dinner, but a man and woman producing in an hour of superior labor more than the French peasant saves in a week, and spending the wealth so produced for all the comforts and luxuries of life obtainable. We can live but once here on earth, and the proper way to live is the happiest way possible to any of us. Wealth in use is the only wealth doing any good. More consumption induces more production, and so the wheel of trade and fortune goes merrily around. He who spends freely within his means, and lives in the most comfort to himself and family, performs the part of a sensible fellow and a good citizen, and is acting in accordance with the soundest economic law. Instead of curtailing spending and having, the true aim of a wise people is to increase their ability to produce and to spend and to have. There are foolish books written to prove that a man can exist on twenty cents a day. The camel can also go seven days without a drink. But who wants to be a camel?

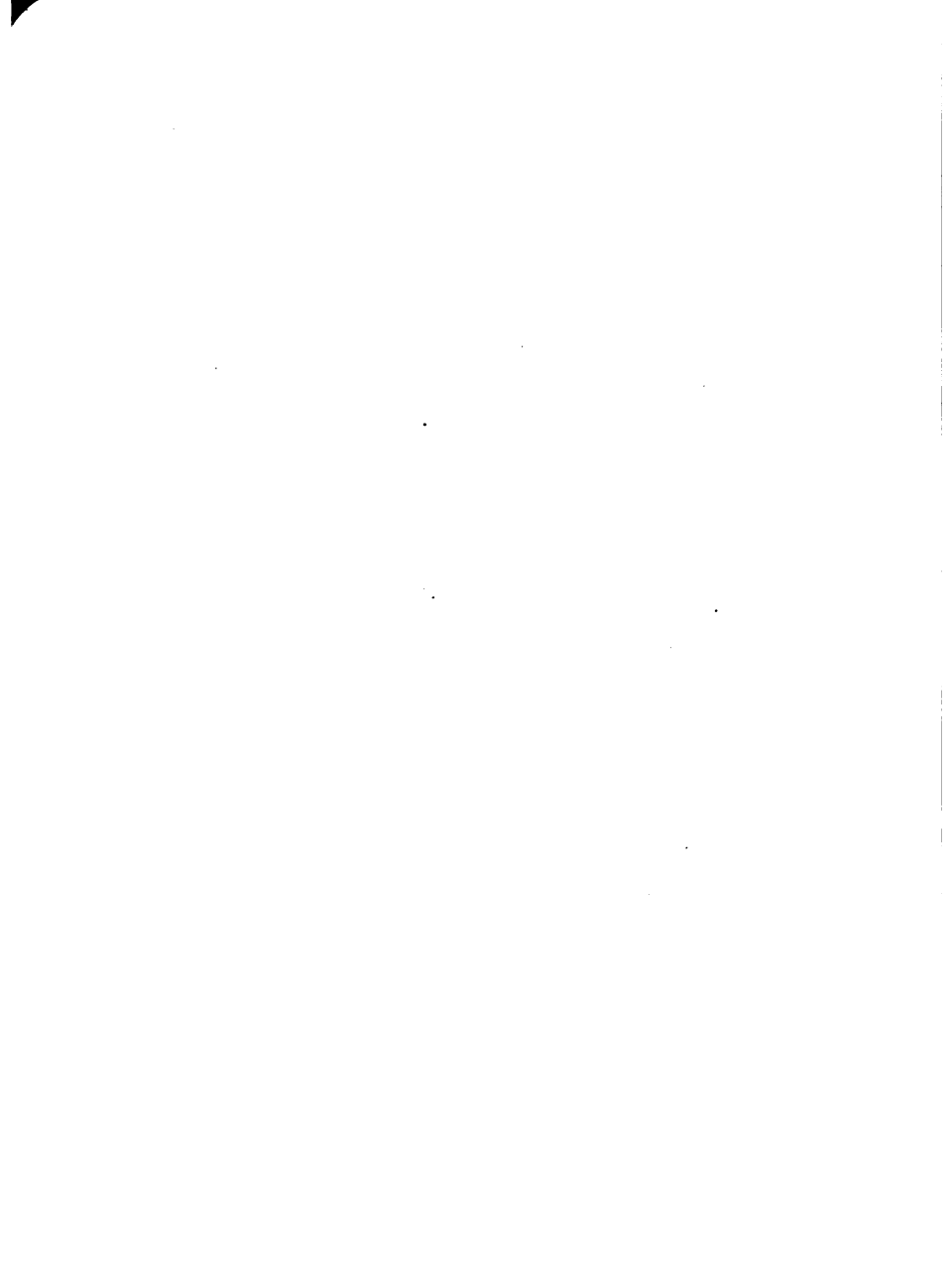
Our present system of political thought is protection and paternalism run mad. We must not be permitted to hear naughty words, or to pass a brewery door, or to read things unfit for childish ears. Instead of breeding robust men and women, unafraid amidst temptation and innocent with wis-

dom, we are to breed a race of mollicoddles, who are never to see anything to tempt their feeble virtue. In trade, the same foolish politics prevails. We must not let the Englishman or Frenchman or German come inside the walls to buy and sell. Instead of meeting the strangers like men, and being taught by necessity to beat them at every stage of the game, the government must shield our manufacturers from these rude and terrible fellows' attacks—incidentally charging the police costs to the rest of us. In domestic affairs, in the matter of profits and wages, we must leave things as they are for fear something might come out of the dark and get us if we tried new plans. That is the essence of the political wisdom you wage-workers have expounded to you daily and hourly by solemn jackasses in Congress and out.

Now, I appeal to you workers to have done with this folly. Let us stand up like men and women of good courage, and look our problems in the eye, and grapple with them. Let us look this scandalous robber, Ground Rent, in the face and hit it. Let us fight for our own hand, vote for our own good, take what is our own, and spend it as we please, and in so doing, we shall find that not only we, but all our fellows in our dear country shall rise to higher planes of living, to higher planes of thought, to higher planes of strength and courage and happiness, to higher planes of manhood and womanhood.

To you, workmen, to you, workwomen, to you, to you, the Common Rate with its common justice and common opportunity, means emphatically the splendid dawn and the bright day of the Common Good!





## The Conclusion of the Whole Matter



SO far as this little book is concerned, my work is done. The task is finished. The appeal is made. It has been a labor of love and I have faith to believe it will bear fruit.

It has been now nearly four years since this truth I have anxiously tried to set forth clearly, first dawned upon me. Since then I have read much and observed and meditated more, and this meditation and observation and study have but served to ripen conjecture into firm conviction. The theory of the Common Rate is the theory of Common Justice. It is the Square Deal. It is neither a makeshift nor a temporary palliative of economic trouble. It is a radical, permanent, powerful force for good. With one hand it strikes down greed and with the other it lifts up industry. It offers interest to useful Capital, and wages to useful Labor, and bids Privilege keep hands off. It is the friend of all who do their part in the business of producing the world's necessities and comforts, and the foe of all who fatten by speculating on the profits of better men's exertions.

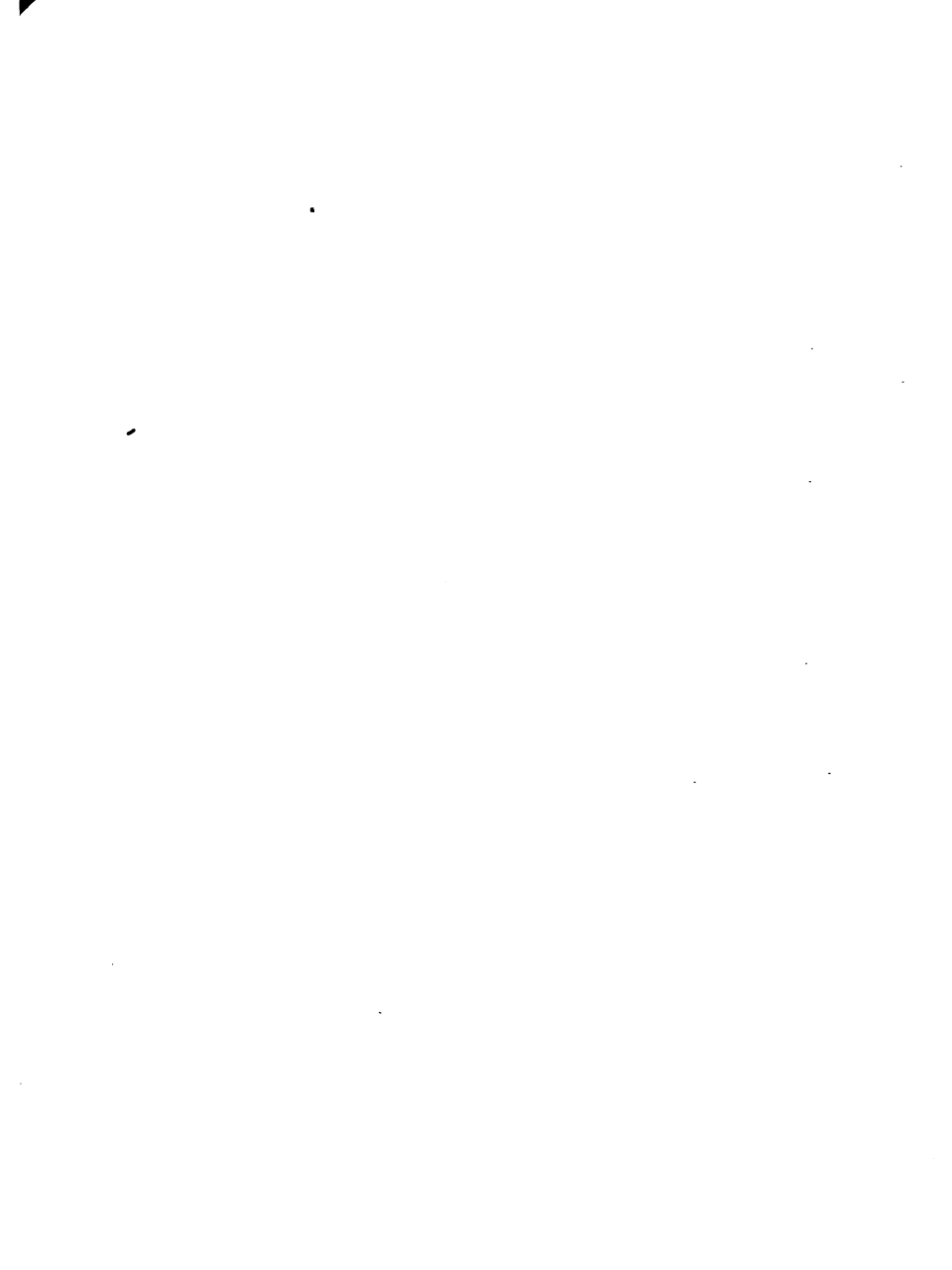
The life of one human being is a small thing, and whether it be happy or wretched cannot be a matter of concern to many. But the long, sequent life of humanity is a very great and wonderful thing, and all that goes to make it happy or wretched is of concern to each individual. The economic sins of the fathers are visited unerringly upon the

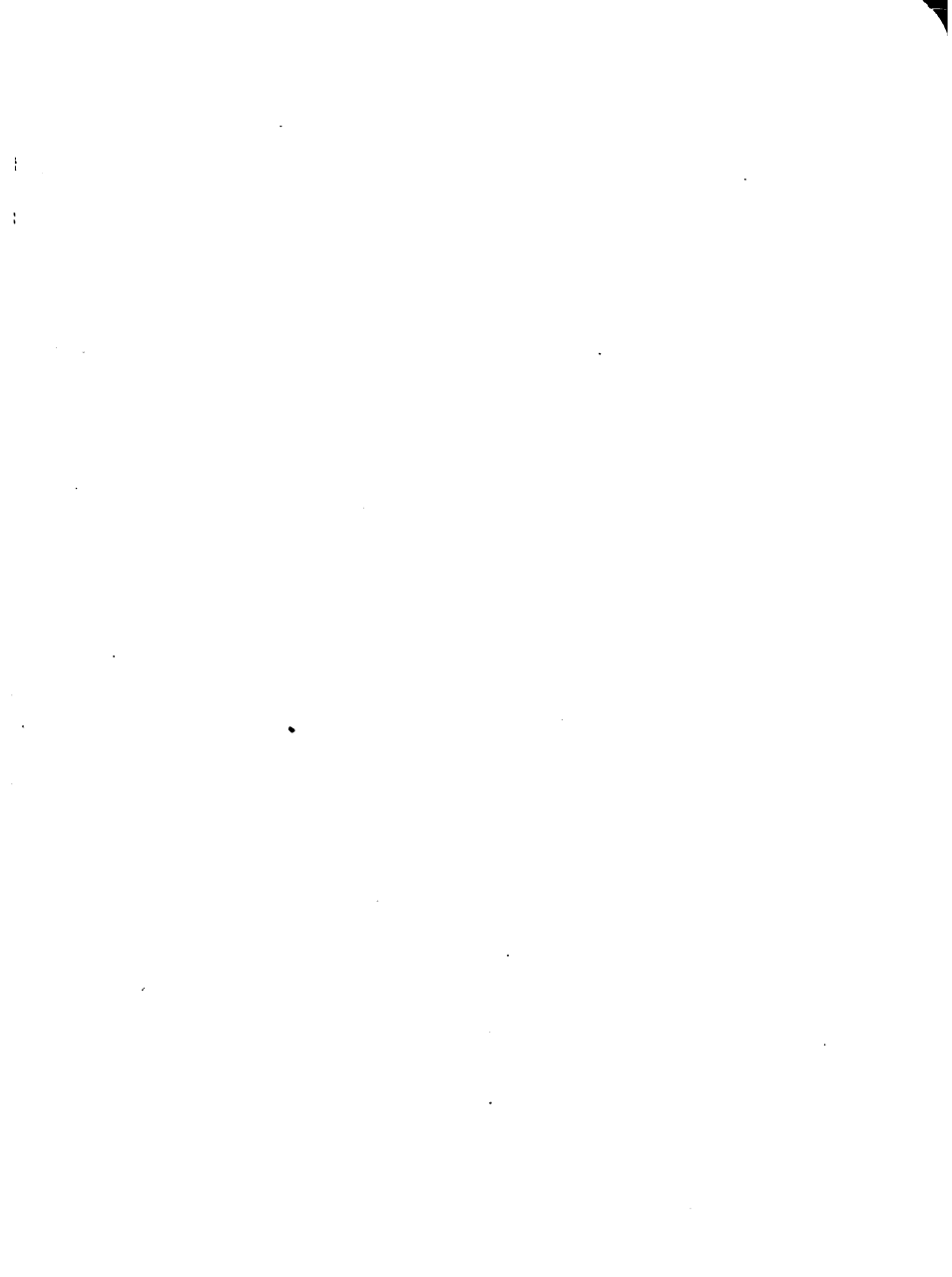
- children, and the economic righteousness of the fathers, equally brings good gifts to those who live after. The great thinkers and the great writers have always been prone to exalt the mystical and intellectual, and give small heed to the homely and practical things of life. Yet to me, the genius and sense of Bacon are as admirably exhibited in stuffing a dead chicken with snow as in the composition of one of those incomparable Essays. It is a fine and useful thing to write a living poem or a beautiful tale, but I can see fineness and usefulness of effort in the invention of a bread-mixer that saves weary hours of toil to tired women, or in the skill that turns the waters of a mountain stream upon the desert lands. If beauty has its use, so use has its beauty.

Therefore, I make no apology for earnestness of speech in presenting the homely and commonplace topic of a freight rate. For from that homely and common root, hidden in the common ground, spring the trunk and branches of our varied and wonderful social life. The happiness of many millions living and many, many millions to be born, is no light topic, and the pen was never yet pointed which could invest such a subject with too much earnestness of phrase and diction.

And so, little book, fare forth on your errand!







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